

• Results of May balloting on page 28 •

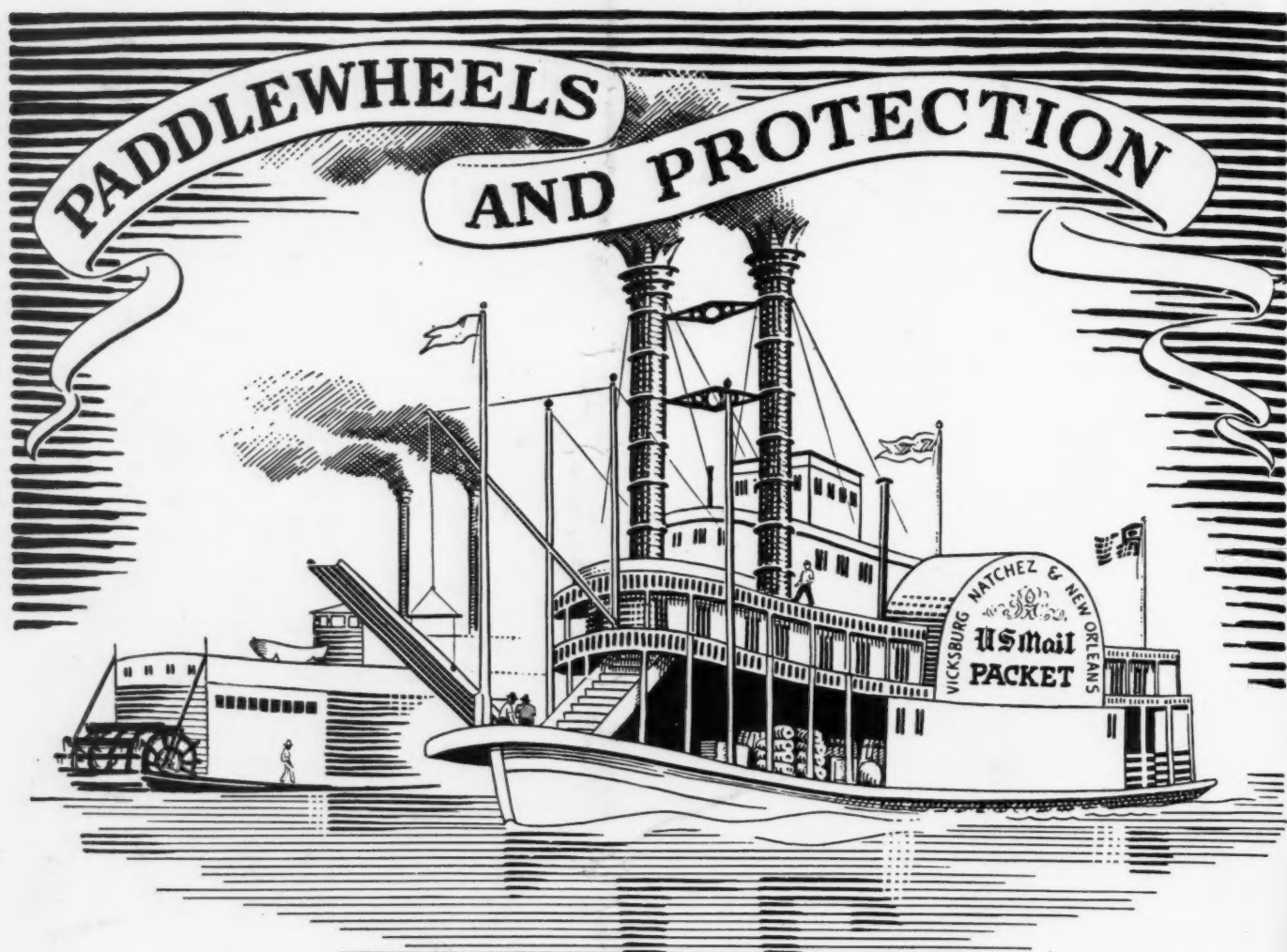
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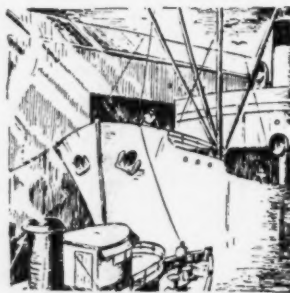
FINANCIAL MANAGEMENT

JULY, 1935



When Companies of the Royal-Liverpool Groups first began serving the insuring public the city of New Orleans, with its hand on the pulse of the great Mississippi River system, was as foreign to Eastern America as Paris, France. Indeed, this so-called "Paris of the South" was, until the advent of steamboating, much less accessible than the European city.

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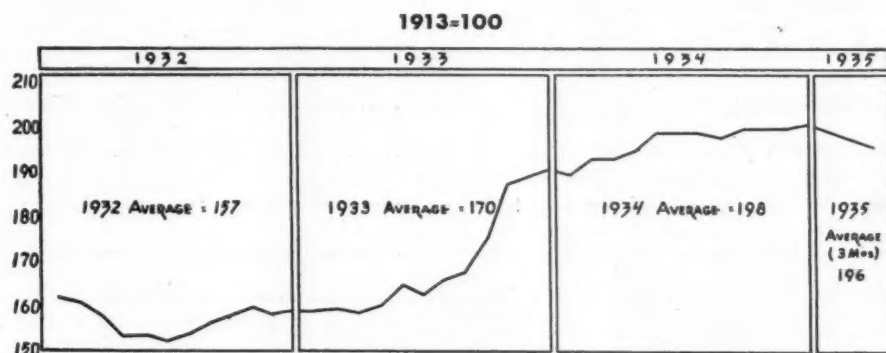
How Higher Building Costs Affect Insurable Values

If complete indemnity against loss is to be obtained, the sharp rise in building construction costs during the last two years must be taken into consideration in determining the amount of insurance to be carried. The extent of this rise is indicated by the fact that a building constructed at a cost of \$100,000 in 1913 would have cost \$152,000 to replace in June, 1932; \$188,000 in October, 1933; and \$200,000 in June, 1934.

This advance in building costs is important because replacement costs and depreciation govern insurable value, which is in no way

related to saleable value, created and regulated by demand. To entertain the idea that an occupied building of any type having a replacement value of \$30,000 should be insured for only one-half that amount because no more than \$15,000 may be realized by its forced sale is a fallacy.

Obviously, therefore, insurable values established in 1931 and 1932 need to be re-adjusted; and the amount of insurance on any building erected during 1931, 1932 or 1933 should be brought into line with the pronounced advance in building costs.



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Learning How to Fall

More recently I had occasion to converse at length with a world-famous acrobat. In the course of the conversation I asked him whether he had ever fallen during any of his performances. He replied he fell purposely on many occasions in rehearsals. His emphasis on the word "purposely" made me curious. It provoked further inquiry on my part. "What do you mean, purposely?" I asked. He replied by saying that one of the first things a good acrobat does is to practise how to fall. This practise is taken in a net. It is tedious and difficult work.

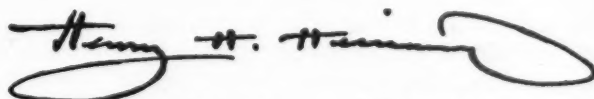
"We learn how to fall and then, if we do fall, we are less apt to be seriously injured," he told me. "We practise it regularly until we unconsciously acquire a relaxation of body when we make a mistake. This relaxation is necessary to avoid fatality in accidents."

The difficulty with a great many of our people is that they have not learned how to fall. Furthermore, having fallen they have scarcely learned the lesson this experience should have given them. Even today, with recovery dawning, many have forgotten their fall in the dark days of the depression.

Isn't it only yesterday that we were all indulging in unreasonable speculation? Many of us are still paying for our foolhardiness. We should have learned that trying to make money overnight, with little or no work, simply gets us into trouble.

Recently, throughout our land, many were again indulging in the same fallacy. When one considers such things as the chain-letter craze and sweepstakes gambling and a variety of other forms of "heads I win, tails you lose" propositions, it certainly would appear that experience has little if any value to many of us.

With the return of prosperity at hand, let us pause long enough to take inventory. In conducting our inventory, let us resolve that we take seriously the lesson we learned in '28 and '29. Let us at all times keep in training so that we will know how to fall—and how to rise without falling immediately thereafter.



Executive Manager, N.A.C.M.

Higher wages: better business

An interview with
EDWARD A. FILENE



The author of this article as he told the Senate Finance Committee in April that NRA should be continued.

Q: Mr. Filene, you have made the statement many times, recently, that the paying of higher wages generally throughout the country is necessary for business recovery. Would you mind stating how you arrived at that conclusion?

A: By simple arithmetic. Obviously, business cannot sell more than its customers can buy; and wages constitute the only buying power of the largest element of our population. About all that business needs for recovery is to increase this mass buying power.

Q: Of course, Mr. Filene, when you speak of increasing the buying power of workers through the raising of wages, it is to be understood that the raising of wages will increase buying power only if the cost of living does not go up proportionately. If both wages and retail prices go up at the same time, and by the same proportions, it is obvious that the workers can buy no more goods than before. Am I to infer, then, that your position is, that the raising of wages must be accompanied by a smaller percentage of net profits for manufacturers and for merchants, if wage-raises are to have any effect in expanding the workers' purchasing power?

A: No. Normally, the effect would be to increase total net profits. Many, of course, cannot understand how it is possible for both capital and labor to

share the National income in such a way that both parties will *get more than they were getting before*. Obviously, however, it can be done by *increasing the National income*; and the only way in which our National income can be increased is by a greater production and distribution of goods. Money is not wealth. We might print money enough to make everybody a millionaire. Germany, in fact, once did so. But the millionaires couldn't buy much of anything with their worthless millions and they nearly starved. Wealth consists of goods—of things which people want—which are made available to them, in our kind of civilization, only by nation-wide production and distribution. Both business and labor are now languishing because this process is being operated at such a small fraction of its capacity. We cannot increase production, however, unless we can increase sales; we cannot increase sales unless we can increase buying; and the one great effective way to increase buying is by increasing the buying-buyer of the wage-earners, which means increasing wages relative to prices.

Q: A great many persons, Mr. Filene, have expressed a view that *lower* wages, rather than higher ones, will reduce the number of unemployed. They argue that if an employer has a million dollars a year to use in furnishing employment, this sum will employ 1,000 persons at \$1,000 a year, but would employ only 500 persons at \$2,000 a year. Would you mind explaining why this idea is incorrect, so far as commercial and industrial employment is concerned?

A: It is incorrect because it is based on the assumption that employment is furnished by employers. In modern business, this is not so. In this machine civilization, it is the consumer who determines by his buying how much industrial employment there is to be. People forget this because, until very recent times, the lords and aristocrats were the great consumers; and, in a

sense, they did "provide work" for their serfs and underlings. That is, they kept them busy making things which the masters consumed. The bulk of our modern machinery, however, has to serve the masses or it cannot be kept in operation. All the wealthy people in America, for instance, regularly buy all the shoes and clothes and household furniture which they want; and the only way those industries can be appreciably stimulated is through enabling the masses generally to buy their products. Those who argue for low wages, then, merely imagine that they would hire more workers if wages were low. With wages low or high, they would hire only enough workers to produce what could be sold. They would really hire more workers if wages were high; not, however, that *they* would be "furnishing employment," for it would be the high-wage workers throughout the country who, by their buying, would really furnish the employment. In modern business, there is practically no such thing as having just so much capital to devote to the hiring of employees. If there is an active demand for your product, and it can be sold profitably, there is plenty of capital now looking for investment to enable you to carry on your business. You won't even have to look for the capital. The capital will be looking for you.

Q: By active demand, you of course mean a demand for goods by persons able to pay for them—by persons having money to buy. Yet you have just remarked that there is plenty of capital available at the present time, although buying power is deficient. Will you draw a distinction for us, please, between the supply of capital, which is ample and available, and the supply of money on hand to sustain an active demand for goods, which is at present deficient?

A: I said there is plenty of money now available for *investment*. The whole point is that the masses who want goods, and want employment in producing them, are short of money, cannot buy the goods and therefore cannot provide

Wages are the key-log in the depression log-jam, says Mr. Filene.



themselves with the employment which they want. The money available for investment, then, remains idle; and the only way to open up opportunities for investment is first to make arrangements whereby the masses can buy more and more of the things they want. We must always remember that this money paid out in wages isn't lost by those who pay it. It comes back to business, at first over the retail counter, then to producers and capitalists.

Q: Then it is quite as much to the interest of the capitalists as it is to the interest of the workers that the working masses have more buying power?

A: I should say it is even more to the interest of business than it is to labor.

Q: More?

A: Yes. For after all, people *can* adapt themselves to a very low standard of living, but modern business *cannot* adapt itself to a low standard of living on the part of the buying public.

Q: Is it your view, then, as was suggested a while ago, that the only way businessmen can continue to make profits in business is to pay a larger portion of their receipts to the masses of wage-earners? Would you not say, then, that any effort to obtain immoderate profits will simply kill the goose that lays the golden egg?

A: I would say, rather, that if they fail to use money for the facilitation of trade, they disrupt trade and thus paralyze industry. As to immoderate profits—any profit is immoderate if it is not earned by service; but business may earn

greater total profits by giving more service to more people. I am not among those who think that the villain of the piece is greed. I think it is *traditional thinking*—failure to realize how the expansion of our industrial system necessitates new courses of action, especially as to the use of money. It was not economically necessary, in the *building up* of our present capitalist economy, that the masses should have much more than a living wage, however advisable it was from a humanitarian standpoint. It was economically imperative, in those days, to devote a great part of the currently produced wealth to what we called capital purposes—specifically, the building of factories and machines. Now, however, the most vital need of capital is the creation of a market sufficient to absorb the enormous and ever-increasing volume of products which we have become able to produce. The only practical way to do this is through using capital to increase the buying-power of the wage-earning masses. To suppose, in this situation, that capital can save anything by paying less than adequate wages, is equivalent to supposing that we could save money in the building of a sky-scraper, by giving it a less than adequate foundation. By adequate wages, of course, I do not mean wages which will enable the worker to go on working but wages which will enable business to go on selling. That is why it is so necessary for employers to or-


ganize in such a way that wages can be removed from competition.

Q: That, Mr. Filene, sounds very much like the philosophy behind the NRA—which many businessmen now think is a failure. Would you go so far as to say that the hours and wages provisions of the NRA should be made permanent—and that the seeming failure of the NRA is due to business itself—which is the beginning hastened to "beat the gun" by producing a surplus of low-cost goods, before it went into effect, and then held back production until these goods had been sold at high, NRA prices; and which also established levels of so-called "fair prices," under the NRA, which were higher in proportion than the new level of wages? These things are alleged to have been done by business, and certainly they would prevent the rise in wages from producing any increase in the wage-earners' purchasing power.

A: It is only too true that organized business generally muffed the great opportunity which the NRA presented. Had it understood the problem, it would have cooperated with organized labor to make wages as high as possible, while permitting prices to be determined by free and fair competition; not by any attempt to fix them at a convenient figure. If organized business does not yet understand that this is the only way by which business can again become lastingly prosperous, that is simply too bad; but it does not do away with a single economic fact. Considering what is going on in Europe, we cannot hope for a market there. The only market we can have is our home market; but it is the best possible market because we can increase it as our capacity to produce increases; and we can increase returns to business, to labor and to the consuming public by eliminating wastes which are definitely conquerable. Although it is conceivable, then, that the codes might be abandoned, business would have to re-establish them. It would have to find a way to raise wages, to eliminate the chiseler and to achieve all the things which it neglected to achieve when, under the NRA, it had such an excellent opportunity. My one fear is that business will delay this necessary action until it is too late—that is, until, by our failure to grasp the nature of this new economic set-up, we shall have alienated the masses and virtually driven them into dangerous radical and revolutionary paths.

Why won't the banks lend money?

A symposium edited by RALPH HENDERSHOT,
Financial Editor, New York World-Telegram.

 Coincidentally with the appearance in our April and May issues of the four articles on "Why won't the banks lend me money?", there appeared in the New York World-Telegram two groups of opinions by readers of the column, "Wall Street," which is edited by Ralph Hendershot, Financial Editor of the World-Telegram.

In his initial column, Mr. Hendershot had said that the banking profession had not progressed as rapidly as general business in the development of new ideas and in the protection of trade. In doing so, he admitted, he exposed his chin and a banker who, for reasons of his own, signed his name as C. W. P. made a pass at it in the following letter:

"In a group of six business men your article on Tuesday concerning the desirability of revamping the banking business was read and discussed, and at least two of those present were against such an idea on the ground that while you write intelligently you are merely following the popular trend of 'knocking' the banks.

"I, having had considerable banking background, suggested that you wrote what appealed to the public and gave no thought to the logic of what you said. I suggested that you could not write an article outlining intelligently one single thing that a bank could change which would tend to revamp the business along modern lines. By that, I mean something that could be made to work, a new idea that has not been tried, one that would give better service—in other words, substantiate your statements. Just one little, single thing.

"But please remember that one of the six will answer it, through your columns, we hope. It should be easy, since you say it is obvious that banking has lagged."

Because they have been kicked around so much in recent months, Mr. Hendershot then pointed out, the bankers have every right to be touchy.

"They have every right also to expect their critics to back up their criticisms. For the good of their own business, however, they should not assume the attitude, as the author of the above letter seemingly has done, that the business is being perfectly conducted, and that there is no room for improvement. It would be rather easy to reply by making the suggestion that the first thing the banker should do would be to change his point of view.

"But that would not be quite fair. It is not what the writer of the letter has a right to expect, and his apparent attitude cannot be said to be representative of the attitude of bankers generally. Most of them are truly desirous of improving the banking business.

"A suggestion your correspondent would like to offer is that the bankers take full cognizance of the fact that the product which they have to sell is the rental of other people's money, and that they then go out and attempt to develop a market for their product.

"It is well known that the vaults of the banks are loaded with money which is not now profitably employed. It is known also that this money is 'eating its head off.' It is known, too, that industry is hungry for funds. The situation, therefore, would seem to be that the bankers have a product to sell and that a market exists for that product, but that the buyer and seller have not been able to get together.

"But, of course, the answer is not so simple as it might seem. Probably a very large percentage of the would-be borrowers lack adequate collateral to safeguard the loans they would make. It is

reasonable to suppose, however, that there are a great many also who would like to borrow money and who could meet the requirements of the bankers if the two were brought together.

"Bankers in the past have been content to sit back and wait for their customers to come to them. To be sure, they have solicited some of the larger borrowers, but they have made no real effort, so far as your correspondent knows, to contact the medium-sized borrowers. They have directed their attention almost entirely to prospective depositors and people with trust accounts. Their methods of doing business have lacked flexibility. They cannot be easily adjusted to the changed conditions in their business.

"Your correspondent submits, therefore, that the bankers do not know the market for their product, and that they might well contact their depositors as a first step to getting better acquainted with it. They might contact the public at large also through advertisements which tell more than the length of time their institutions have been in business, and that some old fellows who long since have passed on were responsible for their existence."

Shortly thereafter Mr. Hendershot published another column on the subject in which he admitted that "our friend the banker, who still prefers to be known as C. W. P., seems to have started something when he wrote to this department a few days ago and challenged your correspondent to make one practical suggestion which would help to improve the banking situation in this country. Several others, including a retired dress manufacturer, an industrial banker, a consulting industrial engineer and an uncatalogued business man, immediately joined in the discussion. All made interesting contributions.

"The retired dress manufacturer thinks the medium-sized business organizations are poor credit risks. He says in part:

"I presume you were concerned with the state of affairs of business firms capitalized at from \$5,000 to \$50,000, with their owners having no other assets. Since I have particular knowledge of the state of affairs of the ready-to-wear industry—and I presume the same conditions prevail in every industry today—I rise in defense of the much-abused bankers.

"These firms are poor credit risks for any bank at this time, although they were excellent ones formerly. Manufacturers and jobbers in the wholesale

and retail fields are confronted with problems and abuses beyond their control. Industry is infested with leeches bleeding it for their personal gains. . . .

"Space does not permit full reproduction of this letter, but the code authority, trade organizations were mentioned as being difficult problems with which to cope. He concludes by asking whether under the circumstances 'the banks can be blamed or criticized for their foresightedness and caution.'

"The industrial banker took a rather different view. He agreed with your correspondent that the commercial bankers might well seek to develop business and find employment for their idle funds by contacting the medium-sized business organizations. He said in part:

"We, too, have dropped in our usual loan volume, which was mostly personal loans. But we have, as a result of the credit requirements of commercial banks, developed a very large number of small merchant and manufacturer loans. These were 90 per cent former commercial bank customers. The actual delinquency and loss in making these loans are much less than we experienced in personal loans. . .

"Since our experience has been so encouraging, we are contemplating modifying our policy, and where we feel we have a fairly good risk we will make loans on a financial statement. . .

"The small merchant and manufacturer are still good credit risks for any bank, and, besides, they are more or less the backbone of industry.'

"The business man also concurs with your correspondent. He suggests that banks secure the services of competent business men to assist them in securing and passing on business loans.

"The banks', he said, 'believe they have new business departments and old business departments also. I wonder if the banks know that the average medium-sized business man believes that the bank does not understand his problems.

"When such a business man goes to a bank vice president he usually goes to put up a bluff or possibly to get a tip on the stock market. More often he goes to pump the banker as to banking opinion of speculative markets with which his business is vitally concerned.

"He almost always goes with the preconceived idea that a bank today is nothing but a card index with a vice president at one end and an invisible board of directors at the other end, and no human understanding in between.

"As a matter of fact, bankers this



Blank & Stoller

writer has known are an exceptionally fine group of men, but their training has been such as to exclude them from a knowledge and understanding of the types of business which they really need.

"We have saved C. W. P.'s letter until the last, and regret that lack of space prevents us from printing it in full. He said:

"The government has set up a plan to lend directly to industry, and the Federal Reserve banks have a fund of \$300,000,000 for that purpose. At last accounts about \$7,000,000 had been loaned. Why doesn't the man you write about borrow this money? Answer that question and perhaps the banker may change his point of view.

"The writer has signed reams of letters asking customers why they did not use credit set aside for them, and the composite answer has been that they were afraid of the outlook. There isn't

a line of business in the world that voluntarily reaches out and helps the business man as much as banking. No representatives in any other line of endeavor on earth call on business concerns oftener to discuss their problems than bankers, and instead of a "You are seeking me" attitude it is now and always has been exactly the reverse. . .

"We twist and turn, scheme and plan, to put out at interest depositors' money, and we are doing things today that were looked upon by another generation of bankers as undignified and fraught with risks from which they recoiled in holy horror. Only a banker knows that many types of loans are full of dynamite. How can you expect to know these things?"

"This department has enjoyed and profited by the "controversy" and hopes C. W. P. and other readers have also."

Opportunities ahead!

■ Although many lament the lack of an unconquered frontier of the covered wagon days, the alert today realize that new frontiers are constantly before us for credit . . . industry . . . agriculture.

by HENRY H. HEIMANN, Executive Manager, N. A. C. M.

CA century ago this nation was struggling in the throes of its first economic collapse. Out of the progress of the earlier times had come extensive canal development, over-expansion of river traffic, extravagant opening of new territory—and inflation. Collapse ensued and in the readjustment period half of the property of the United States changed hands.

Of particular interest to us today are the dire predictions made during that decade of privation exactly a century ago. Prophets of doom suggested that the days of prosperity in this wonderful new country of ours were past because the economic wounds were so great that recovery was impossible. History, however, tells us that this experience was but a turning point toward a sounder development and a greater prosperity which followed in the wake of the collapse.

Twenty years later the wild cry of "Gold!" intrigued adventurers, agitated the speculative fever of our pioneering people until excesses again brought reactions, and once again this nation had to struggle through a severe readjustment period.

In the seventies, post-war maladjustments led into the railroad boom and land speculation. So deep did we plunge then that our economic strength was literally taxed to the limit to pull ourselves out of the mire.

Two decades more and we find a struggle over money. Once again the growing pains of a young and prosperous nation were bringing about maladjustments. Two hundred railroads were in receivership, their failure seemed unavoidable and presaged a complete collapse. Time, the great healer, brought its recuperative forces into play, how-

ever, and once again the dark clouds rolled by as we continued our onward journey.

I need not summarize the causes of our recent difficulties, though it might be well to observe that had we none other, the World War would have been a great test, by itself, of the fabric of our civilization.

Today again we hear the same lugubrious story. We are met with the same dire predictions and from the wail and lamentations one would feel that the sun had forever set upon this blessed land of ours. The truth is that we are so close to the woods that we cannot see the trees. We are so much a part and parcel of the situation that we lose our perspective. We are like the stranger, traveling on a highway day after day, who found to his great discomfort that it had been raining incessantly. Finally, about to lose hope, he paused at a farmer's wayside home. "I am a stranger in these lands," he said. "Tell me, does it ever stop raining?" In a dry, sententious answer the farmer merely said, "It always has."

Opportunities ahead? To my mind, we face the most glorious, the most challenging opportunity ever presented to any people.

Gloom dispensers tell us there are no more frontiers, but before they have finished the statement the daily press informs us of a new ascent to the stratosphere, that great unexplored frontier which will command the attention of scientists for the next century, and bring discoveries which may alter the entire course of the history of the human race. They yearn, romantically, for the covered wagon, recall the growing country as the wagon wheels moved westward through unbroken prairies.

No new frontiers, but while they are still in their pensive mood, a new covered wagon, of stainless steel, literally becomes a silver streak as it speeds along its trail.

No new frontiers, yet emigrants embark for the Matanuska Valley in Alaska.

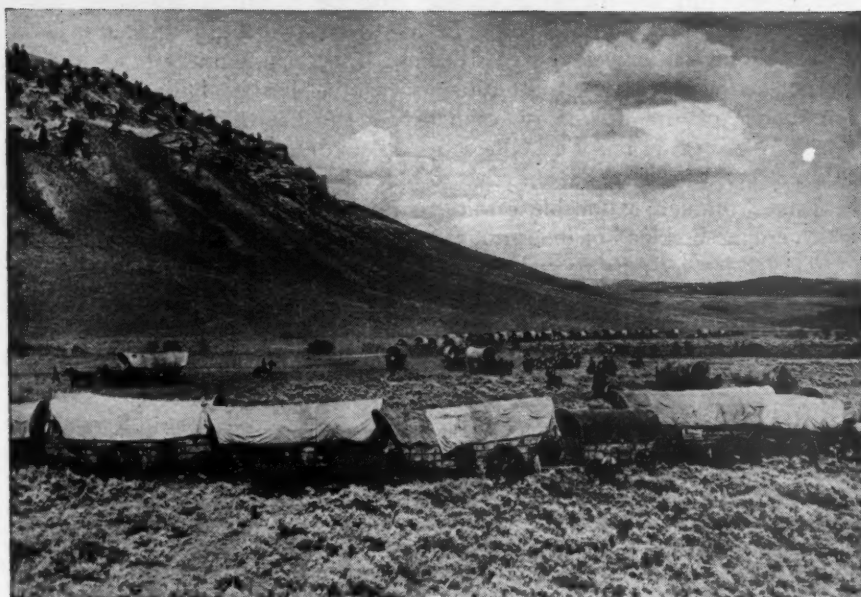
No new frontiers, but the telephoto records in our daily newspaper a reproduction of trans-oceanic planes in flights that link the world literally over-night.

No new frontiers, when science is feverishly working in the development of new alloys that may make the steel age seem slight in comparison.

No new frontiers when the sea, which is said to possess enough salt to cover the United States to a depth of two miles, grudgingly yields that salt in the first experimental plant in North Carolina.

But our productive facilities, cry our prophets of doom, are so over-expanded that new industries must be limited, production restricted. Their mourning is but an echo of the cry of previous depressions. At the very beginning of the nineteenth century our production was already said to be ahead of our consuming ability. In 1886 our Commissioner of Labor gave warning that our productive facilities had been over-expanded and were sufficient to cover our future needs for centuries. Yet history has always recorded that the total amount of goods produced is never in excess of the needs of mankind, although it may be, and in periods of maladjustment is, in excess of the amount they are able or willing to buy.

Opportunities ahead in our own field of endeavor? A staggering loss through failures from the beginning of this century to this very day, totaling over twelve billions of dollars does not overwhelm but stimulates the credit fraternity to the vision of the opportunities ahead.



Frontiers exist always for the resolute.

In the broader field of human welfare, out of the very condition that confronts us, we must eventually find a growing responsibility taken by each individual to do his bit for the betterment of mankind. Here is a field that presents tremendous opportunities, but in our endeavors to promote the happiness, the health and the comfort of our people, care must be exercised to avoid those fool-hardy panaceas which have taken such a toll from people throughout history. The opportunity to conserve individual initiative, individual ownership, individual responsibility is great and imperative. Without these there is no progress, for man is man, an individualist, and no law or system can ever change his composition.

We see the ranks of unemployed, and many accept them as a permanent condition. They do not realize that one half of the people employed today are working in industries that did not exist fifty years ago. They probably would be amazed to know that fifty years hence one-half of our people gainfully employed in industry will probably be performing labor in industry as yet undiscovered: perhaps, not even within the minds of the present generation.

In the fields of agriculture, we find science has barely scraped the surface in an attempt to find commercial outlets for agricultural products, while the dust storms and the drouth of this past year, the worst in half a century, present a challenging opportunity in soil and forest conservation.

The opportunity ahead for work—for it is a Divine blessing to be able to work—is tremendous. Idleness may be an appendage to nobility but democracy

has no greater blessing than honest, profitable work. The opportunity ahead is great in combating such movements as are directed toward realization of theories that work is largely unnecessary, that initiative is not to be rewarded, that all men are of equal ability, of equal virtue, and of equal mentality. Such theories have been tested by experience and found wanting, for precedents can be found even as far back as a thousand years ago when the Chinese nation headed by Wang Gau Chee collapsed under such experiments.

These opportunities before our generation have never been equalled in our country's history. Those who see no opportunities ahead are blind to facts. How utterly hopeless such a message would be to the 400,000 boys and girls who graduate annually from our high schools. Upon that rising generation we are saddling a debt. Can we believe ourselves successful if in the same breath that we pass on this debt we say: "Though this be your burden, your opportunity of discharging it is fast passing. We, in effect, are sentencing you to slavery."

But the spirit of youth takes no such gloomy outlook. Let us, therefore, consider these tremendous opportunities that we know do exist and will continue to exist so long as man has his individuality and so long as private initiative is safeguarded. Let us remember that "Our doubts are traitors; and make us lose the good we oft might win by failing to attempt." And let us be understanding enough to realize, as was said by Shakespeare, "If to do were as easy as to

know what were good to do, chapels had been churches and poor men's cottages princes' palaces."

I—Agriculture

There is an opportunity in agriculture, for industry and commerce now recognize that without prosperous agriculture, industry and commerce can not long prosper. Approximately one-fourth of our people are directly dependent upon agriculture. The purchasing power of so vast a number is tremendous. The farmer's problem developed because he was receiving a diminishing ratio of our National income. Whereas before the war agriculture received 15% of our National income, recently it was receiving only 9%.

There are certain burdens that agriculture has which are set and fixed. Taxes constitute one of these items. The system of real property taxation in our nation is archaic. Other nations have been much more progressive than we in taxation policies. There is an opportunity in this taxation field. Our objective should be a taxation system upon real estate determined to a large extent by income rather than by appraised valuation. The adoption of such a system would aid agriculture.

Farm improvement has been consistent though slow. The debt structure against farmers has been generously reduced. Indeed, approximately two-thirds of our American farmers are free of debt. About one-sixth of farm mortgages are held by other farmers. The American farmer deserves fair treatment and industry intends he shall secure it. The American farmer produces per capita three times as much food as a European farmer. He is normally a conservative and solid, substantial citizen. The opportunity provided to help him keep his splendid place in American history is great.

In trying to develop agriculture in the period ahead, let us not, in our generosity, destroy it. Business must realize that the tariff protection industry has enjoyed in the more recent years was, in many cases, beyond the objective or purpose of a tariff. The objective of a tariff should aim at protection of the efficient, well-conducted American business. Tariff rates should be such as to permit the efficient, well-managed American business to compete successfully with importations. When a tariff goes beyond that—when it attempts to subsidize inefficiency—it seriously dips into the pocket of agriculture as well as to de-

crease, rather than increase the purchasing power of urban dwellers

Over a period of years there has been a growing feeling, in the agricultural States, that farm markets have been lost due to tariff regulations. I am reporting a sentiment, not necessarily my own opinion. In recent years there has been a group seeking to bring parity to agriculture over-night. More recently, the processing tax was evolved.

We believe processing taxes are impracticable. We feel them to be distinctly harmful, not alone to agriculture, but to business. On the other hand, we realize that there must be compensations to agriculture if there is to be protection to American business and we feel reasonable tariff protection is essential to American business. If the tariff is set at reasonable rates, and if restrictions and barriers are not insurmountable, eventually a fair and equitable policy might be one by which the revenue received from duties upon imported goods would be set aside for redistribution to American agriculture. Such redistribution, I would suggest, should not be specific and individual. It should be utilized as a fund for scientific research for agriculture in order that the farmer could grow a greater portion of his crops for industrial rather than human consumption. A large portion should be used for marketing research in an endeavor to reduce the distribution costs of farmers' products. A further sum should be utilized for educational purposes for the farmers' children. Such a policy would be sound and conservative, fair and equitable.

The opportunities ahead for agriculture were never greater in this nation provided miracles are not expected over-night.

2—Industry

Industry, too, has its opportunity. The vast de-centralization program now in progress will tax industrial ingenuity. Large cities will not find the same reasons for growth as in the past. With power easily transmitted, with transportation and communications so highly developed, almost imperceptibly there is already under way a de-centralization.

Sound industry should desire an avoidance of the great danger of unbridled competition, but likewise should recognize that price-fixing monopolies destroy rather than build business. There is a new seed planted in industry with respect to its relationship with the public and labor, but industry has the responsibility to see that this seed, when

full grown, still has the strain of the sound elements of the old plant. Excessive profits or unwieldy fixed debts are not desirable. They are the certain fore-runner of the decline of capital values. They invite imitation. Reasonable prosperity is a sound objective to be gained through reasonable earnings which are the lifeblood of industry.

Industry is ever-shifting and its fortunes are hard to secure. A survey would reveal that in this country of ours, over a long-range term of years

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a copy of your most successful collection letter? Each month Credit and Financial Management features one in its monthly "This Month's Collection Letter" page. We are extremely anxious to have a cross section of successful collection ideas from our membership. The interchange of ideas stimulated by this departmental features is invaluable to credit men everywhere. Do your part by sending us one example of how you meet the collection letter problem. Now is the time. . . .

few complete industries have conserved their invested capital and made that capital yield, over that period of time, a continuous income which might be considered equal to normal interest rates. Here is a challenging thought.

More recently we've heard much of a planned economy. It is all very well to speak of planned economy, but reasonably free forces of competition give a sound foundation to business success. One example of a planned economy, as some would have it, is the feudal system, and we would not, I am sure, want to go back to that.

I would now quote a Communist, for my mind is not so closed to every word that I do not have the courage to recognize a partial truth when it is uttered, irrespective from whose lips it may flow. It is said that Lenin made the statement "Many capitalists would commit economic suicide for a temporary profit." I would disagree as to the word "many" but I would say that some capitalists apparently sought to commit economic suicide for a temporary profit and that one of the responsibilities

for the failure of the ideals of NRA may be ascribable to this cause.

The opportunities ahead in business for the smaller business concerns are great if a reasonably free competition is allowed and if planned economy is not developed to a point where regimentation will lead to deadened initiative and stagnation. We speak of big business in this nation as though it thoroughly dominated, when as a matter of fact approximately one-half of all of our wage earners are employed by manufacturing industries using 250 men or less.

The fallacy of high prices, as such, spelling prosperity is frequently held by many industrialists. High prices may or may not be productive of prosperity. If prices were raised over-night as much as 100%, and if the increase were made uniform, we would not have bettered our situation. Debts are paid by profits and by higher real wages. They are not paid by high prices.

The future of business earnings will certainly be divided in different fashion. First, business, and by that I mean invested capital, will receive a fair return. Next, labor will be insured a more stabilized and adequate return. The excess beyond these returns will be divided, a portion to management, a portion to labor, and a portion to invested capital, and in this division of the excess, labor will receive more than it has in the past.

We hear much today about a lack of confidence. I am one of those who believe it is holding back recovery. I believe that business has a responsibility which it has not fully discharged in the development of business confidence. I know that I am not impressed by the type of some of the advertising in which business has indulged.

There was a time when business was undertaken by, let us say, the middle class of people. The ruling and preferred classes would not resort to business. The arts and the professions were reserved to them. Then in a more enlightened age, and partly through the efforts of this nation and our business leaders, it was realized that business after all contributes more to human welfare and happiness than any other activity. The result was that it was no longer shunned, that our best minds went into business.

But I am wondering whether the present generation measure up. Certainly, even a friendly critic, if he were to judge business by the "copy" in some of the advertising that business sponsors, could hardly be (Continued on page 39)

Let's throw some light on this matter of

The retail sales tax

says L. C. KEMMING, Tone Bros.

Coffee & Spice Co., Des Moines, Iowa

CIt is a strange commentary upon who pride ourselves upon being collective human nature that we progressive and are continually seeking new ways to do things, new devices to save labor, new conveniences for our comfort, and new methods of transacting business, are at the same time fundamentally opposed to any changes in those realms of activity which fall outside our own specific interest.

We involuntarily cling to old customs and old laws, and stubbornly resist all efforts to change them.

A young attorney once remarked to me that he thought our legislatures should, at one fell swoop, repeal the entire existing codes, and then start all over again, passing new laws as occasions arise,—laws which should fit the demands and necessities of the time. To my non-legal mind, that seemed to be a sensible suggestion; but it evidently meets with no favor at the hands of those engaged in the formulation and practice of law. And now that the young attorney himself has reached middle age, doubtless he has lost his own youthful impetuosity and is safely confirmed in legal orthodoxy.

In the face of the patent newness of each day's situation, behold the frantic efforts being made on all sides to hold development within the forms deemed right, adequate and final one, two, five centuries ago. Everybody wants to return to "normalcy" to the status quo, to the peace of our fathers and grandfathers.

It is like trying to hold the lid on a volcano. The longer we sit tight, the farther and faster we'll travel when the lid blows off. To my sense the metaphorical earthquakes, cataclysms and reverberations of this present period are merely the growing-pains of a race too tightly laced in the conventionalities of the past. We are developing, growing, far faster than are the outer vestments,

conventions and mechanisms through which human thought and ingenuity are externalized.

One thing which appeals to me about the Retail Sales Tax, and other new methods of taxation, is that they are at least attempts to do things in manner different from that of our forefathers. I haven't a thing against the forefathers nor against the customs of their times; but laws and taxes which may have been just and equitable in their day can scarcely be so under conditions which obtain now. Things which are essentials now did not even exist then; and things which were essential then are relatively useless or totally passe today.

In colonial days, wealth was represented mainly by land, for this was an agricultural country. Taxation of real estate, was then perhaps the most equitable basis of taxation which could have been applied. But since those dim days, a new development has risen in our experience. I refer to Credit,—not meaning that it did not exist before,—but as we know it now, in its present form and to its present extent, it did not exist then.

With Credit in our midst, it is easily possible for a millionaire to own not a foot of ground nor an ounce of gold or silver. Hence, under the old system of real estate taxation, the greatest units of wealth are exempt from taxation, simply because they cannot be measured by a surveyor's transit nor an assayer's balance. This statement is relative in a way, because of course "moneys and credits" are taxable,—at least they are so theoretically, those which are not specifically exempt and those which are not kept under cover by shady bookkeeping. This illustrates the primary demand for a new basis of taxation.

In Iowa where the Retail Sales Tax is now in force, this tax is but one of three taxes imposed by the new three-point statute. The other two are an

Income tax and a Corporation Tax. In theory, they constitute a balanced tax scheme to relieve the manifest injustices of the old real estate tax.

The Board of Assessment and Review which is administering the new taxes has pledged itself to see that they are replacement taxes in fact as well as in theory. They are intended to take the burden off the poor man whose all is invested in a modest home, and distribute it more equitably among those who not only can most easily bear it, but who themselves reap the most benefit from governmental functioning.

It is offensive to our sense of fairness to see a courageous widow, struggling to support her fatherless brood, taxed to the legal limit upon a modest home which perhaps is mortgaged for most of its value, while the man up-street with a few hundred thousand dollars invested in selected gilt-edge securities, is totally tax-free as concerns his wealth thus invested.

I hold no brief for any existing method of taxation. Most, if not all, the States as well as the Federal Government are experiment with new methods of taxation. These methods differ greatly from each other, and cannot conceivably all prove just and equitable. They do, however, register discontent with the old order and evidence a search for a method more just than the old.

Every good development, since time began, has come to pass only after a more or less tempestuous period of struggle and evolution, if not revolution. Hence in the passing of an old order, so firmly entrenched as was the real estate basis of taxation and so fundamental in our national consciousness, it is highly probable that we are witnessing the beginning of a movement which may unmake and remake a larger section of our collective life and activity than we can at this time predict.

I do not dislike to pay taxes, and I doubt if the average citizen does. Taxes are merely the purchase prices of various services we want and demand,—just like telephone rent, and electric light bills, grocery accounts, etc. To my mind, the most perfect tax I have known is the gasoline tax. This is levied upon automobile owners in practically the exact measure of their use of the highways,—and see what it has done for us in the line of convenience, economy, and the sheer joy of motoring.

We do not object to paying the price for benefits received. We buy groceries, gasoline, clothing, amusement, etc., and

are glad to pay the price. But nobody likes being short-changed. If we could be reasonably sure that the money we pay in taxes gets safely by the army of leeches, parasites and grafters which infests the country, and actually buys the things we want for our public welfare, there would be little occasion for grumbling.

The sales tax is undoubtedly the most painless method of taxation. The money passes out of our hands in such little



N. Y. Herald-Tribune

drips that it is scarcely noticed. When the Iowa law first went into effect, there was considerable criticism, much joking, and some grumbling. But that stage seems to have passed, and the tax is now paid with little thought or protest.

With negligible exceptions, everybody spends money. Money itself is a governmental service. The turnover of this commodity in the hands of each individual is the measure of his use of the service; and this turnover, as a basis for taxation, seems quite as logical as a water meter or an electric meter for measuring our obligations to the water and power companies.

I personally should like to see the tax system developed along flexible lines, so that it could be quickly raised or lowered, to meet varying demands or emergencies. The sales tax lends itself especially to this control. I should like to see projects financed by increased taxation rather than by governmental borrowing.

In twenty years the simple interest on a 5% bond equals the principle; and in twenty-five years, the same is

true on a 4% bond. Hence by the time we pay for improvements via the bond route, the cost to the tax payer is virtually doubled. Immediate increase of taxes to cover specific demands would accomplish two great purposes: 1st, it would foster a little more careful consideration of the desirability of a project at the time; and 2nd, it would greatly reduce the total taxes necessary to be raised over a period of time. Credit men should, it seems to me, be especially alive to the abuse of credit involved in governmental borrowings.

As I said before, I have no axe to grind in the matter of this tax, either pro or con. It remains to be seen how the measure will work out, and by how much it will decrease or increase our tax burden.

Personally, I commend any earnest effort to bring honesty and justice into governmental functioning. Ostensibly, we have here an effort to equalize the tax burden. If this ideal persists, we can well afford to overlook temporary faults, weaknesses or hardships.

To a considerable extent I believe it is true that in the past credit men have been, shall I say, mainly interested in "getting the money", and second in keeping it. Now, however, a new note seems to be in the ascendency,—the recognition that there is a principle of Credit.

A principle is something which can not be violated with impunity. It may sometimes appear expedient and advantageous to say that two times two are five, and our bank may as a result show a more gratifying balance; but we are learning in credit that violations of a principle are followed by an inevitable back-wash which cancels whatever advantage we may think to have won, if not actually losing us some additional ground.

This is indeed a new note in business. Not only must the asset and liability sides of our financial statement balance, but the nation's balance sheet must also balance. For a given volume of production there must be an equal volume of consumption. American business is keyed to a luxurious standard of life, and must have its millions of buyers of radios, automobiles, electric refrigerators, good rugs, draperies, furniture, clothing, etc., if present factories are to continue in operation. Hence a balance must be struck between production profits and labor costs. Labor is our market, and starvation of labor will automatically extinguish profits.

As Credit is leading in the recognition of Principle, so I think other divi-

sions of the body politic must follow in finding that the demands of Principle can not be successfully evaded. So the exact method of taxation seems to me of comparatively slight consequence. What I deem essential in all public affairs is that we get down to the principle involved, forget all selfish, short-sighted prejudices, and work toward the common good.

By this I do not mean charity, or altruism, or philanthropy, or sentimentalism,—all of which are crimes against common manhood. Everybody should earn what he gets; but it is no less essential for the common good that everybody should get what he earns. There are principles involved in all our affairs, both public and private. Our national safety and future prosperity depend, I believe, upon how well we search out the principles involved and adhere to them. Otherwise we shall find ourselves taking bricks from the foundation to repair the tower. Isn't that what's the matter with us now?

Our legal system is modeled after England's, and I believe I am right in saying that our tax system was likewise derived from the old English procedure. In England and other European feudal systems, the masses were taxed to support the idle nobility. The system worked for centuries, though it has cracked up pretty seriously of late years. The landed nobility lived in luxury, supported by a docile peasantry. The nobility's status, however grows steadily more precarious.

In our own country, the situation is somewhat different. Labor must draw its share of profits, else it has nothing to spend for merchandise produced. If labor stops buying, not only does capital's income cease, but its factories become valueless, and its investments depreciate to nothing.

Wealth here is no longer something static nor intrinsic. It is a value set upon possessions by the status of our millions of citizens. A man today owns certain properties. When business hums and labor is earning and spending money freely, this man is worth, say, one million dollars. But suppose depression overtakes the country, and that there are no longer jobs enough to go round; suppose millions are out of work and labor's spending power is greatly restricted. Then this man, though he is still in "open undisputed, notorious and adverse possessions" (as our lawyer friends would say) of the same identical properties, is no longer a millionaire, but is lucky to be worth a hundred thousand or perhaps fifty thousand.

Thus capital must eventually see that its very existence is tied up in the status of the common citizen. The set-up is such, I believe, that our growing pains will continue or increase except insofar as we break away from precedent, tradition and convention and get down to the governing principle. All values and

flows of value are concerned and inter-related. Hence I honestly believe that this matter of taxation,—not necessarily taxation as it now is, but more likely taxation as it will evolve,—will play a more important part in the solution of our problems than we have so far perceived.

Small industry need for capital

Secretary Roper has made public the report on small industries submitted to him by the Business Advisory and Planning Council for the Department of Commerce. After months of study of the small industries situation throughout the country, the Council submitted to the Secretary the following specific recommendations:

"The Council seriously recommended an immediate study by the Reconstruction Finance Corporation, Federal Reserve Board, and Securities and Exchange Commission in cooperation with the investment bankers of the country, to the end that facilities be offered sound, small industries for the acquisition of needed capital."

The report indicates that the credit requirements of industrial concerns which cannot be satisfied from normal sources are not so large as they appeared to be six months ago, and that the credit needs of small industries are being more adequately met by commercial banks and other financial institutions.

"With the continued restoration of business activity the need of small industry for intermediate and long-term capital has become increasingly urgent. There seems to be little doubt that a large number of the smaller manufacturing concerns have been able to withstand the effects of the long-drawn-out depression in part, through sharp curtailment of expenditures on repairs of building and equipment and, in part, through the reduction of inventories of raw materials, parts and supplies to a hand-to-mouth basis. Not only is existing equipment wearing out at a rapid rate but it is also becoming obsolete. The necessity for buying raw materials, etc., in limited quantities prevents concerns from acquiring them at satisfactory prices. Both factors operate to increase manufacturing costs and reduce profits.

"It is clear that the capital structure of American industry as a whole has been impaired by these and other factors and the ability of the smaller industrial concerns, in particular, to borrow from the banks for working capital purposes has been correspondingly lowered.

"The inability of the smaller concerns to modernize their machinery and equipment explains in no small measure the continued depression in many of the capital goods industries."

Pointing out the special need for long-time capital, the report continued:

"The need for long-time capital on the part of small industries is quite evident from the Committee's study of the facts disclosed in the Census survey, in the survey made by the Treasury Department of conditions in the Seventh Federal Reserve District (the Viner-Hardy report), and in a survey made by the National Industrial Conference Board, and of the results of the operations of the Federal Reserve banks and the Reconstruction Finance Corporation under the act of June 19, 1934, as well as from its consideration of the testimony of individual leaders and bankers.

"As a matter of fact, long-term financing for small industry has always been difficult. It is not simply a depression problem. Through private investment bankers, it has been available only to concerns of sufficient size and standing to warrant the investment banker in bringing out an issue as small as, for instance, \$1,000,000. So it may be said that this facility has been practically denied to smaller concerns. Such enterprises have been obliged to develop their capital structures gradually out of undistributed earnings or to attract the participation of individual capitalists. They have not received the benefits of recourse to the capital markets for their long-term requirements.

"Since small industry plays a very important part in the economic life of the nation and since its activities contribute so much to those of the larger plants, it would seem the part of wisdom to provide the smaller, sound industrial concerns with the long-term credit facilities they require. This would make for safer commercial banking as well as for cheaper and better financing

"This is and should be a natural function of the investment banker acting as the channel for the safe investment of private funds in small enterprises."

40th Annual Convention Is Important Milestone In History of N.A.C.M.

EN J. Harry Tregoe, in a statement made at the close of the very last session of the 40th annual convention of the National Association of Credit Men in Pittsburgh last month, gave this summary of the importance of the 1935 convention: "The 40th annual convention of the National Association of Credit Men has written a new chapter in the history and traditions of the credit fraternity."

He certainly was not far from reporting the exact situation.

The convention of 1935 at Pittsburgh drew the largest registration total in several years.

Attendance at the convention programs indicated that the interest in the discussions presented was general among the delegates.

Action taken by the various groups and the programs inaugurated by the directors, officers and managers of the affiliated Associations in the National organization, all indicate an especially active and progressive year ahead for N.A.C.M. work.

The importance of the credit profession and the part it will play in the revival of business activity was well covered by Executive Manager Heimann in his key-note address (which is presented elsewhere in this issue). "Opportunities Ahead" was the slogan carried through all of the convention discussions.

After the opening session, which was featured by Mr. Heimann's address, the delegates and their ladies attended the president's ball and reception in the the same large ball room in which the convention sessions were held each day.

On Tuesday morning the delegates assembled at an early hour for a short program before taking up the special group programs which had been arranged as the Fifth Credit Congress of Industry. E. M. Tourtelot, a former

president of the Chicago Association of Credit Men and now president of the Robert Morris Associates, presented a short greeting from the bankers to the National Association of Credit Men. A. W. Robertson, chairman of the board of the Westinghouse Electric Company gave an inspiring address which followed closely the slogan of the convention in pointing to opportunities ahead in manufacturing.

The Fifth Credit Congress of Industry on Tuesday afternoon brought the largest number of sessions at any Congress in several years. These were under the general direction of Phil. J. Gray, who has had charge of this division of convention work for the past several years.

The session on Wednesday morning was largely attended and rewarded the delegates with many active thoughts by the two main speakers at this session. Prof. John Gerdes, member of the New York bar and the faculty of the New York University School of Law spoke on "Corporate Reorganizations." He presented a large number of interesting sidelights on "77-B" and pointed out many of the abuses so far arising out of this feature of recent bankruptcy legislation. His address was a careful analysis of this important subject. It will be presented in a subsequent issue of Credit & Financial Management.

Perhaps the highlight (if it is possible to find a highlight in such an important program) came in the talk made by W. M. Kiplinger, president of the Kiplinger Washington Agency. His subject was "What's Ahead in Washington." He spoke as a reporter of events as he had observed them. He did not however have a fixed address but devoted most of his time to giving his views in reply to questions presented by delegates from the floor. This rapid fire question and answer form proved

quite popular and his allotted time of one hour on the program was stretched by several minutes before he was permitted to leave the rostrum.

Wednesday afternoon was the "day-off" for the delegates. They were all invited out to the very attractive South Park, where various forms of amusements were provided during the afternoon and evening. The day's events were closed with an attractive fireworks display.

The sessions on Thursday started with the annual credit women's breakfast at 7:45 which was attended by a large group of women credit executives. Miss Bess Havens, former secretary of the Binghamton, N. Y., association and now connected with the Interchange department of the New York Credit Men's Association, presided. Reports were presented by division heads from several areas.

The general session of the convention was featured on Thursday morning by memorable addresses by Joseph B. Eastman, Federal Co-ordinator of Transportation at Washington, D. C. He spoke on "Looking Ahead in Transportation." Max B. Nam, a director of the Federal Reserve Bank of St. Louis area and president of the Citizens National Bank of Bowling Green, Kentucky, also gave an impressive address under the general subject of "A Financial Clinic." Both addresses were widely quoted in the Pittsburgh newspapers and also extensively reported by the Associated Press and by the United Press.

As a closing feature of the Thursday morning session, E. Don Ross, as chairman of the National membership campaign committee presented the National awards to the New York, Oakland, South Bend and El Paso associations as winners in their respective classes. In his usual entertaining manner, Mr. Ross quite fittingly declared this year's campaign as the most successful in many years and (Cont. on page 27)

Past and Present

The Fortieth Annual Convention will be known by many delegates as the Fred Roth Convention. President Roth proved himself a charming presiding officer as well as chief host at all of the main convention functions. His counsel at the Committee Sessions as well as the meeting of the Secretary-Managers was of immeasurable help in the deliberations. President Roth made a very strong impression with the members of the affiliated associations during his numerous visits about the country during the past year and the climax of his term of office was a fitting tribute to the high esteem in which he is held by so many N.A.C.M. members.



FRED ROTH

President N.A.C.M. 1934-35



P. M. HAIGHT

President N.A.C.M. 1935-36

Treasurer, International General Electric Corporation

The new President is well known as a leader in credit activities. During several of the Pittsburgh sessions he demonstrated that he is not a novice in public leadership. A record of his N.A.C.M. activities (told on page 17) indicates a continuation of progressive administration for our Association under Mr. Haight.



NEW AND OLD OFFICERS OF N.A.C.M. (1) Regional Vice-Presidents; left to right: Ed Pilsbury, New Orleans, Central Division; Ralph T. Fisher, Pacific Division; Paul Fielden, Worcester, Mass., Eastern Division. (2) Four former National presidents (there were 12 of them at this year's convention); left to right: S. J. Stock, Chicago; Frank Rock, San Francisco; William Fraser, New York, and William H. Pouch, New York. (3) President Fred Roth presents the gavel to President-elect P. M. Haight. Executive-Manager Heimann, center. (4) Picture taken at a luncheon given by the Executive Manager on Thursday of the convention in honor of Joseph B. Eastman and Max B. Nam, convention speakers. There are several pioneers shown in this picture. How many can you name? (5) Some of the new and hold-over National Directors. This picture was made just before the annual meeting of the Board on Friday afternoon which lasted well into Friday night.

New N.A.C.M. Officers

ON Percy Mandeville Haight (who is known as P.M. to thousands in the credit fraternity), was elected president of the National Association of Credit Men at the 40th annual convention held in Pittsburgh on June 17 to 21. When the wildly cheering delegation from New York escorted Mr. Haight to the rostrum after his unanimous election in the closing session of the convention, he received the crown which our national organization has reserved for outstanding leadership in the credit profession and unusual service to N.A.C.M.

P. M. Haight's career in his chosen profession of credit management and business finance reads quite like a Horatio Alger success story. From the position of office boy in a small electrical supply company he has risen to the important position of secretary-treasurer of the International General Electric Co. His career in N.A.C.M. is quite as inspiring an example of how leadership and really hard work in behalf of his profession is recognized and rewarded.

The immediate escort for Mr. Haight as he was led to the platform at the head of a column of wildly cheering New York delegates, was composed of four former National presidents from New York. This guard of honor was not just a gesture. The sentiment, traditions, and friendships of many years of association in N.A.C.M., made these former presidents happy indeed to welcome P. M. Haight to the exalted ranks of the presidents of our Association. Charles E. Meek, W. F. H. Koelsch, William H. Pouch and William Fraser were happy to attest the honor given to the New York area by Mr. Haight's election and also to attest to the 40th convention that here came a new president who would carry on the ideals and programs of our great association.

Mr. Haight's record of activity in behalf of his profession covers a span of 31 years. When Former-President Don Ross presented his name to the convention he spoke of Mr. Haight as "one of the truck-horses of credit activities for many years." How close this declaration follows the record may be

noted from the following long list of Mr. Haight's activities:

Joined the New York Credit Men's Association in 1904.

Elected treasurer of the Sprague Electric Company in 1906.

Appointed Secretary-Treasurer of the newly organized International General Electric Company in 1919. He has continuously held that position since. This corporation handles all of the foreign business of the General Electric Company. Mr. Haight also is an official and director in several of the subsidiary corporations of the International General Electric Company.

In his affiliation with the New York Credit Men's Association, Mr. Haight has served on a large number of committees. In 1929 he was elected as a director of the N.Y.C.M.A. Then in 1930 he was named a vice-president. His excellent work for the credit profession was recognized further when he was advanced to the position of first vice-president in 1932 and then was elected president first in 1933 and named for a second term in 1934.

Mr. Haight's activities in the National Association dates back for many years. He was one of the organizers of the Foreign Department and Foreign Credit Interchange Bureau of the National Association and has served for several years as chairman of the executive committee of that group.

For several years Mr. Haight has represented the National Association of Credit Men as an honorary member of the Board of Directors of the International Association for the Promotion and Protection of Trade in London. He also has served in many other organizations for the promotion of better trade relations.

At the Los Angeles convention Mr. Haight was elected vice-president of the National Association representing the eastern area. Leaders in Association activities were not slow to recognize Mr. Haight as a man of exceptional capabilities both as an Association executive and as a leader of progressive thought and credit ideals.

The three regional vice-presidents elected as aids to President-elect Haight all have had years of experience in N.A.C.M. affairs, having served on the national board of directors representing their respective districts.

Ralph T. Fisher is a banker. He is president of the American Trust Company of Oakland, California, is a past president of the Oakland Association and has been active in credit circles on the Pacific coast for several years. He served at the present convention as chairman of the resolutions committee and presented most of the declarations of that group from the convention rostrum.

Paul Fielden of Worcester, Mass. represents a wide circle of influential credit activities in the New England states. He has served as president of the Worcester County Association of Credit Men and has been a leader in promoting the programs of N.A.C.M. in New England sector.

Edward Pilsbury, of B. Rosenberg & Co. of New Orleans, La. is another active leader in credit affairs who has done much to advance the recognition of this profession south-central district.

Space does not permit mention of the qualities of each new director. It is a tradition in the National Association that election to office or to the board is a recognition for outstanding service to the credit fraternity. The following were so honored in the election as directors at the 40th convention:

Osborn Bullen, of Lever Bros., Cambridge, Mass.; Frank A. Worth, of Spencer, Kellogg & Sons, Buffalo, N. Y.; John L. Redmond, of Crompton-Richmond Co., New York City; A. T. Rickards, of Sharpe & Dohme, Philadelphia; W. F. Smith, of Chattanooga Medicine Co., Chattanooga, Tenn.; L. J. Bradford, Dunkheimer Co., Cincinnati, O.; Harvey L. Welsh, of The First National Bank, St. Louis, Mo.; W. H. Schmidt, of the Pittsburgh Plate Glass Co., Des Moines, Ia.; R. C. Wilson, of the First National Bank, Salt Lake City, Utah; Ralph Meyer, of McKessen Western Drug Co., Los Angeles, Cal., and Arnold Groth of the First National Bank, Ore.

U. S. faces cattle shortage? No, says this stock expert

Slaughtering of twenty-one and a half million head in 1934 still leaves a national herd of more than sixty million head.

ON It is only natural that the public at large should be unusually concerned as to the status and the welfare of the cattle industry. It is one of the main branches of our entire agricultural industry. Cattle are produced in every state of the union, and in practically every county of every state.

During recent months extravagant stories have been distributed far and wide as to the serious ravages of the drought and the consequent depletion of our seed herds. It is, therefore, reassuring to get the recent report of the Bureau of Crop Estimates showing that on January 1, 1935, the census figure for cattle is placed at 60,667,000 head, a reduction of 11.2 per cent from the estimate a year earlier, but a figure that is practically normal and one that requires no alarm as to future cattle supply.

In looking back over the year 1934, there have been some very interesting developments. First, the purchase of almost 8,300,000 head of cattle and calves in the drought belt by the federal government. Second, the continuation and acceleration of the disease eradication program, which is fast placing the entire country in the tuberculosis-free accredited class, which has backed the cattle tick into a last ditch front along the gulf coast, and which is making progress in the elimination of various other diseases. A large portion of the cattle sold to the federal government in the drought areas were of inferior quality, so that the herds were culled to an extent never before possible and the remaining seed stock represents the highest degree of quality ever attained

By F. E. MOLLIN,
Secretary, American-
National Live Stock
Association,
Denver, Colorado

For a large portion of the area west of the Missouri river, the cattle industry is an important basis of wealth.

Anything affecting the economics of such a large section, has an important bearing upon the business situation of the whole nation.

The natural question arises—what of the future? If the government bought eight and a third million head and thirteen and a third million head were sold in the usual markets in 1934, have we not cut too deeply into the bedrock of the industry?

Mr. Mollin, as secretary of the American Live Stock Association, makes it his business to study these figures. It is therefore of deep interest to note that he says the cattle industry is in a more healthy condition now than in several years.

and the most nearly 100 per cent free from disease of that of any country in the world.

In addition to the liquidation referred to above through government agencies, commercial slaughter under federal inspection in 1934 was exceedingly heavy, totaling 13,263,296 head of cattle, against 8,655,257 head in 1933, and 7,388,102 calves, against 4,906,632 in 1933. Despite the low prices which such heavy liquidation inevitably brought, it is interesting to note that the entire amount went into domestic consumption, so that our per capita consumption of beef and veal in 1934 was 74.7 pounds, compared with 60 pounds in 1933 and 54.2 in 1932. It is evident that the cattle industry of this country is permanently on a domestic basis. If it could not enter the export trade with the heavy marketings and the low prices which existed in the fall of 1934, then that outlet is permanently closed to it.

The drought situation is still causing grave concern in the territory immediately east of the Rocky Mountains. There will have to be further depletion of the herds in that area unless spring rains shortly relieve the situation. But in other sections of the country conditions have very much improved, and there should be no difficulty in maintaining seed stocks at about present levels. At the same time, there seems little danger of an immediate up-turn in production, which would bring about a recurrence of disastrously low prices. The disease-eradication program will continue, with present appropriations

CREDIT and FINANCIAL MANAGEMENT JULY, 1935

Your "finger on the pulse" is a
Credit Interchange Report

sufficient to carry it until July 1, 1836. The drought, as stated above, is still a factor operating against increased production. As a result of last year's drought, the 1935 calf crop is expected to be very light. Cattle grazed on national forests and the public domain will be gradually reduced to permit range rehabilitation, while the Farm Credit Administration, which might be termed the largest outfit ever engaged in the cattle business, because of the control it exercises over countless mortgaged herds, has announced that it will adopt a policy of reasonable annual marketings to prevent unwisely increasing production in the future.

Cattlemen have been very much encouraged at the up-turn in prices which occurred early this year. Already prices have reached such a level that there has been a sharp increase in imports from Canada and Mexico, which will act as a check on further up-swings and pre-

CONVENTION PICTURES

You will find many views taken at Pittsburgh on Pages 16-32-34-36 of this issue



vent additional consumer resistance.

It is recognized by the thoughtful heads in the industry that the present level of prices cannot be maintained except on a basis of relative scarcity. Despite a substantial decrease in the slaughter of all classes of meat-producing animals under federal inspection during February, there was practically no decrease in storage holdings of meat on March 1 compared with February 1. This indicates a sudden reduction in consumption of meat products, brought about by a too rapid advance in price. It is evident that, with more than 20,000,000 people on relief, live-stock prices must necessarily recede the mo-

ment that marketings become normal.

While seed stocks are ample, the sharp liquidation last year will bring about light marketings during the current year. Therefore, the hope of the cattle industry lies in the restoration of earning power to millions of unemployed people by the time that supplies of cattle available for market six or eight months hence have reached a somewhat normal figure. We are in no danger of relative overproduction for the next two or three years. Our price level will necessarily depend upon the earning and consuming power of the people. Assuming that unemployment has reached its peak and that any change will be for the better, the cattle industry can anticipate for the next few years a better level of prices than have existed throughout the years of the depression, even though it may not be possible to maintain them fully at present levels.

Those who have not had an opportunity for first hand observation of the importance of cattle as an industry in the plains states, might be led to say upon seeing a picture like the one below—"What a nice lot of cattle!" The plainsman likely would say—"Just a jag of yearlings."



Executive reports upon

Annual report read at
Pittsburgh Convention by
HENRY H. HEIMANN
Executive Manager,
N. A. C. M.

FM In my report given at Los Angeles one year ago, I made the following statement: "In many phases of our activities we have been able to materially strengthen the foundations in preparation for the rendering of even greater service by the Association in future months." I am glad to be able to report to you this year that the statement made one year ago, in the nature both of a hope and a prophesy, is being realized. The developments of the past year indicate that we are beginning to reap definite benefits from activities looking toward strengthening and coordinating.

During the past year we have kept four major objectives in mind both in the National and local offices.

1st—Membership progress.

2nd—Development of a keener realization that this organization belongs to and is controlled by the members and that our strength must lie in a membership more fully educated as to the actual and potential power of the Association.

3rd—Increased interest in and emphasis upon that type of Association service which cannot be strictly classified as commercial service.

4th—The expansion and strengthening of the service departments.

I am particularly pleased to report to you that for the first time in many years the membership decline has been checked. Beginning with September 1934 and continuing thereafter up to the present time the increase in membership though not large has been steady and consistent. Among the factors worthy of note in connection with the membership gain are the following:

1st—The Class A Associations, where for a number of years past there has been a decided numerical reduction in membership, have shown a net gain for the year.

2nd—For the first time in several years most of the membership trophies

have been won by Associations other than those in the Western Division. This is in no sense a reflection upon the membership work in the West during the past year, as that section of the country continued its usual record of showing a net increase for the entire division. It is encouraging, however, to have proof that the statements of some, that the Association membership development in the East and Middle West could no longer be expected, were erroneous.

3rd—A part of the gain can be attributed to the organization of the Zebras (a membership organization which had its origin in the Western Division) in 13 of the eastern and middle western Associations.

While we are encouraged by the membership development, we must realize that we have made only a start toward realization of our possibilities. The very fact that this gain was made possible by membership increases in 40 Associations having net gains and in 11 which held their own, indicates that there is an abundance of work still to be done along membership lines in many of our Associations. The organizations which have been successful have had their programs developed along three lines:

1st—A thorough education of the present membership as to the value and services of the Association.

2nd—Intelligent and consistent plans, with responsible leadership in carrying out those plans.

3rd—Persistent and untiring effort.

There is no magical formula for membership work. Thorough application of those three principles in all of our local Associations will enable us to continue our upward trend.

There has been renewed recognition, in both the National Office and in the local offices, that in order to realize most fully upon our membership and service possibilities, we should again emphasize that this is an Association operated for and controlled by its members. This point of view has been developed in various ways during the past year. The sectional conferences held for Presidents of local Associations, a more direct contact through the medium of letters and other material sent

direct to members and many other activities have been motivated largely by the desire to impress upon the membership its responsibility and its opportunity in Association development. Most of our problems, membership and otherwise, will be fully answered when we have reached the vantage point of having every member in full understanding of and in sympathy with what his Association is doing and what it is possible to do.

For the sake of convenience in classifying the various phases of Association services we have become accustomed to classifying them as tangible and intangible services. This classification, while lending itself to convenience of expression, is not a strictly accurate one and should not be interpreted too literally. I believe that those services, which we have become accustomed to naming as intangibles, are at least equally important with the so-called tangibles if we use as a measuring rod the value to the membership. For the sake of convenience in expression, however, I am considering the following as intangibles:

1. Legislative activity and Washington service.
2. Publications and public relations.
3. Education.

Our activities in legislation during the past year have been greater than for a great many years. Because of the nature of the present day psychology, it has been inevitable that a large part of this work should be in opposition to destructive measures rather than in sponsorship of constructive measures. This does not mean, however, that the accomplishments have been negative for much of the proposed legislation, which our organization has been at least partially responsible in combating, would have been tremendously detrimental to the work of the credit manager and to business in general. All proposed legislation at Washington, affecting the credit and financial status of the country, has been subject to the personal attention of representatives of your Association. Particular attention has been directed against many proposed changes in the Bankruptcy Law which would have jeopardized the creditors' position if they had passed. Our policy at Washington during the year can be summarized as follows:

1. Sponsorship of any legislation

N.A.C.M. progress year

tending to strengthen creditor control and, conversely, opposition to any legislation tending to decrease it.

2. Opposition to any general, wholesale amending of the Bankruptcy Act at a time when such amendment would undoubtedly have been unduly influenced by the present debtor psychology.

3. Opposition to any amendments to the so-called debtor relief acts which would tend to add to their permanency.

4. Opposition to changes in 77-B, the Corporate Reorganization Act, until such time as there has accumulated sufficient factual data for intelligent decision as to what amendments may be needed.

Along with other legislative activities the Association has given much attention to sponsorship of a change in the Federal Bond Law (the Heard Act) in order that proper protection may be given to material men and supply houses on Federal work.

In carrying on its work this year, the Legislative Committee has worked with a much larger National Legislative Committee in order that the coverage throughout the country would accurately represent the views of all sections of the country. Attention was also given during the year to the definite organization of state legislative committees so that matters affecting credits might be followed more closely in our state legislatures.

One of the principal forms of proposed legislation in the states, which has been strenuously combated, is the type of legislation which would take from business the right to determine for itself the vehicle which it wishes to use in the handling of collections or liquidations. While laws of this nature were passed in some states, our local members and managers, working in cooperation with the National Association, have been largely instrumental in defeating such measures in many legislatures. The efforts of those interested in that type of legislation are still continuing and will require a continued strenuous effort on the part of our Association members and managers to combat them.

During the year a new service for members was established in Washington. The Washington Service Bureau was inaugurated in February to provide members of the Association with per-

sonal and experienced assistance in Washington in connection with problems which they may have there. The Bureau does not compete with the work of trade associations and other types of bureaus which render highly specialized service.

It is prepared, however, to give advice on questions affecting relations with Government agencies, investigate the status of claims, supply information regarding Government contract awards, status of construction jobs, payments made, furnish information regarding the procedure of selling to the Government and, in general, provide information and personal contact in connection with a wide variety of problems which business men today encounter in Washington.

The splendid response of the membership to this new service during the past four months indicates conclusively that there is a real need for the service. The number, variety and importance of the inquiries which are being handled by the Bureau more than justify its establishment as another national service feature of our Association.

The Association publications have continued to reveal progress during the year. Continued effort has been made to have our magazine, "Credit and Financial Management," as well as our other bulletins and publications, so adapted as to be of practical assistance to the credit manager in his work. This idea, as well as the recent innovation in the magazine of devoting a specific number of its pages to local Association affairs, have been received very favorably by the members.

The sales of the "Credit Manual of Commercial Laws" have been larger than for any time in the past six years and there is a growth in recognition of the value of this publication. A greater number of members have taken advantage also of the opportunity to use the standard forms such as financial statement forms, insurance statements and so on.

One index of the extent to which the Association views are considered important lies in the amount of publicity given to statements and articles from our Association and its personnel. This percentage has increased during the

past year, following a steady increase each year for a period of several years. The increase for the past year in publicity has been close to 15% over that of the preceding year to a total 350% greater than that ten years ago.

During the past year the members of the Economic Credit Council have provided the National office with interesting and illuminating answers to questionnaires prepared by the Public Relations Department. The Council was organized about four years ago and consists of one or more members from each of the local associations throughout the country. Because of their representative ranking in their profession and in the credit world, we know that they can provide a true and worthy index of the trend of business condition and business reaction. In the newspaper stories attendant upon this Convention, there has been considerable emphasis given by the papers, not only in this city in which we meet, but in every city in the country, to the reports compiled from the recent questionnaire on legislative and business questions. Reports of this survey have also been scheduled for presentation to you at this Convention. I wish to take this means to thank those who have served so well on this Advisory Research Council and publicly express my appreciation to them for their generous and able assistance.

Along with the other evidences of renewed appreciation of our activities, interest in education has increased during the year. The enrollment in educational classes has shown a material increase during the year, as has the number of classes being conducted. There are already evidences that there will be a still greater increase next year as the recognition grows that there is no sounder basis upon which to build the future, both of the Association and of the credit profession, than through specialized and constructive credit education. I feel that those organizations which do not provide for educational work within the National Institute of Credit are overlooking a real opportunity for service, both to their members and to their Associations.

Under the heading of tangible services I shall report on our domestic and foreign Credit (Continued on page 29)

The mechanics of insurance

by ROBERT P. BARBOUR, President, Eastern Underwriters Association, and Manager, Northern Assurance Co., Ltd.

The fire insurance business, as represented by the Capital Stock fire insurance companies, is no small affair. In dollars of its annual transactions, and in the numbers of those engaged in or dependent upon it for livelihood, it ranks with the great industries of the country.

The dollars of annual premiums written are larger than the normal value of all wheat, oats and rye grown annually in the United States, or of cotton, tobacco or potatoes or the output of canned fruits and vegetables—larger than the annual value of manufactures of woolen and worsted goods, or boots and shoes, or chemicals, or glass, or hardware, or men's clothing.

It is one of the fascinating things about our business that it comes into contact with every other form of business activity, bringing the necessity of knowing in considerable detail the various processes of making and the methods of handling and of using all of the various and sundry created resources that exist, whether factory, store or home, and whether situated in the heart of a large city or on the outposts of civilization. On the same day any large fire insurance company is called upon to grant protection covering a great diversity of properties from Maine to Alaska and must be prepared to state without delay the terms upon which it will issue its policies of insurance thereon.

Furthermore, multitudes of commercial and personal transactions depend upon the prompt issuance of these policies for it is, as we all know, the common practice for banks, commercial houses, mortgagees and other types of creditors to require the protection of insurance when lending money or extending credit.

Modern civilization, so dependent upon the credit system, relies upon trustworthy and adequate insurance to carry on its normal monetary affairs. It is one of the developments of modern

life, along with the growth of population, congestion of values and multiplicity of hazards that insurance is recognized as essential for the protection of property rights, whether of owners or creditors, against loss by fire or other casualty, since it is not feasible for such interests individually to take the risk of disaster and consequent loss of property or security, especially where large concentrated values are involved.

Insurance companies, through a wide spread of liability, are able, for a modest consideration or premium, to assume such risks and to agree to indemnify those suffering loss by fire or other specified casualty, thus affording protection to all the varied interests involved.

The major portion of such protection against loss by fire, windstorm, transportation, and other related causes is furnished by about 200 capital stock fire insurance companies which have had a truly marvelous record for solvency, reliability and real service to the public in good times and bad.

The foregoing facts and figures are brought to your attention as giving point to the statement that a business of this magnitude in dollars involved, in responsibilities undertaken, and in its wide ramifications could not have been operated successfully without organized effort and a large measure of cooperation amongst the companies involved.

The conduct of the insurance business, upon which so many other transactions depend, must be orderly and systematic to fully serve its purpose. Rates, forms of policy, contracts, and controllable expenses must be determined upon some reasonable and definite basis in order that conditions may be stable and dependable for the purchasers of insurance. These things cannot be left safely nor advantageously to the whims of individual barter. The cost of furnishing insurance is never known until the policy expires. We run our business on a very slim margin based on averages drawn from our knowledge

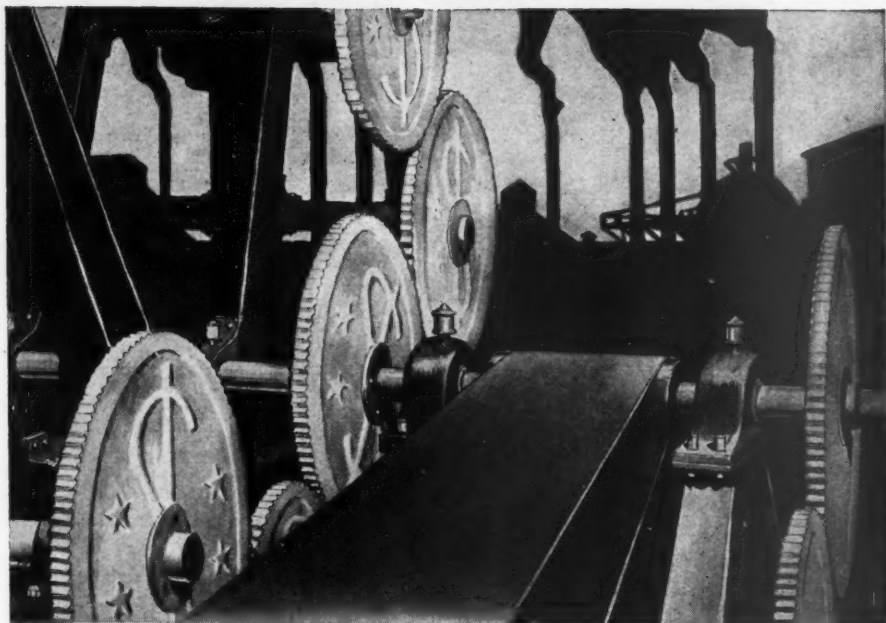
of the past and judgment of the future and it needs the combined consideration of many thoughtful and experienced men to avoid serious miscalculations.

To achieve stability there must be co-operation among a very substantial majority of the insurance companies transacting such business, and this need has led to the formation of the various insurance company organizations which are the major factors in producing rationalized insurance conditions to the benefit of all concerned. These organizations are many in number, each having its separate and specific purposes; yet to a very large extent all are inter-related insofar as the work accomplished is concerned. You are familiar with them, yet a review of well-known things sometimes brings a new sense of values, such as we may find in re-reading the Twenty-Third Psalm or the Sermon on the Mount.

Of the many organizations the National Board of Fire Underwriters is the most dignified, the most influential and the most widely supported, practically all important stock fire insurance companies being members, sharing in its cost and the responsibility for its wise conduct. The major portion of its work is quite as directly in the public interest as in that of its members.

The National Board does not deal with rates, commissions nor policy contracts, except as it has cooperated in behalf of its members in the adoption of the Standard fire policies, the Standard mortgagee clauses and a few other basic provisions. It is essentially an engineering, standardizing and service body and keeps itself remarkably free from those features of our business which are controversial or competitive.

Every stock fire insurance company, whether known as an organization or non-organization company, receives a direct benefit from its operations along with other types of insurance carriers and the general public, and the great strength of the National Board lies in the fact that it is free from competitive features, acts for the good of all and



■ Insurance is a vital part of the money-making industrial machine.

receives the nearly unanimous support of stock fire insurance companies regardless of their other affiliations.

A brief review of its activities will show that the National Board inspects periodically all cities and towns above a given size and reports upon their water supply, fire department and fire alarm service in great detail, assessing their dependability, pointing out changes if needed and calling attention to potential danger spots. It furnishes an able, competent, impartial engineering service of great value to municipalities and to insurance companies, that is available nowhere else. These exhaustive inspections measure each city's fire protection equipment and general potentialities in the light of standards created through long experience and observation; and serve to grade the city as a whole, thus furnishing a valuable aid for determining the basic rate to apply thereto in our rating work.

The National Board has taken the lead, in cooperation with architects and builders, in producing a Standard Building Code, upon which most such codes adopted by the various cities are based. Likewise an Electrical Code, universally recognized in basic practice, is the initiation of the National Board in cooperation with electrical engineering and other representative bodies.

Through its arson committee it maintains a corps of specially trained men to cooperate with the public authorities in running down arsonists. In many cases the regular police and sheriffs departments are not equipped for such work, which is quite as spe-

cialized as that of a homicide squad. Through this activity many men and some women are sent to jail each year, thus removing an element dangerous to life and property.

One of the most important activities of the National Board, which comes in touch in one way or another with every individual citizen, is that of the Underwriters Laboratories. This organization conducts tests of many forms of building material and equipment to ascertain their merit in resisting fire exposure or in preventing spread of fire. Various kinds of machinery and materials that may be the cause of fire if improperly designed or safeguarded are studied and classified. Fire extinguishing appliances are subject to exhaustive performance study. Acetylene, gasoline and kerosene lighting systems and most electrical equipment for light, heat or power, and for fire alarm and other signaling or supervisory apparatus is counterchecked.

Products that have been tested and classified are reported in published lists and are relied upon by builders, fire departments and the public generally as being dependable for the purposes intended. In order that the manufactured article may comply with the required standard, periodical inspections are made at the factory and the products found standard are identified by labels in the form of stamps or impressions and bear the words "Underwriters Laboratories Inspected." Business men have found that the approval of the Laboratories is of sufficient value for

selling purposes to warrant the moderate costs involved for the testing, approval and label service. All tests with favorable results are reported to the Bureau of Standards of the United States Government, whose cooperation has been found of marked value.

The work of the National Board outlined in the foregoing may be considered the most important of that which is directly in the public service as well as for its members. This is clearly to be seen when we reflect that experience has shown not over 60% of values destroyed by fire are covered by insurance; that property destroyed is wealth destroyed, for insurance merely transfers the burden of loss; and further, that properties destroyed are taxables destroyed, thus increasing the taxes which other property must pay. Therefore, activities which tend to preserve property from destruction constitute a direct service to the general public of value according to the success attained.

These are by no means all the things the National Board undertakes to do. We might mention its initiating the organization of the Fire Companies' Adjustment Bureau; its supervision of the Fire Patrols which exist in a number of the large cities; the gathering of vital statistics regarding causes of fires and classes involved; its valuable record of persons sustaining losses and interchanges of experience thereon; the comprehensive information gathered and furnished to members regarding the laws existing in the various states, including those involving taxes; also such incidental work as the general inspection of hospitals, following the terrible disaster in Cleveland; the preparation of self-inspection blanks for schools; and a host of other things. Truly this organization, which has been in operation since 1866, is an influence of character, beneficence and unquestioned worth, which we may regard with great pride and satisfaction.

It is, of course, much simpler for men to agree on matters where their interests do not come into collision than in those where they do. Nevertheless, the need for some measure of control and understanding in competitive matters has been recognized as serving the best interests of all concerned and a substantial majority of representative stock fire insurance companies are members and supporters of the four major regional organizations which exercise a general paternalism, where lawful, over (Cont. on page 48)

The business thermometer:

Predictions of price slashings and wage reductions which appeared as the immediate aftermath of the Supreme Court decision against NRA, did not materialize during early June. In fact the development during the past month was quite opposite to these early predictions. One large silk house did announce a cut in wages and prices, but after negotiating a strike with its employees for ten days, this one price cutting house returned to its NRA schedule and restored its former pay scale. This stability of the price structure is looked upon as an important factor. Since the NRA decision, buying has been somewhat curtailed in the major wholesale lines. Purchasers were apparently awaiting during the early part of June, any new price trends.

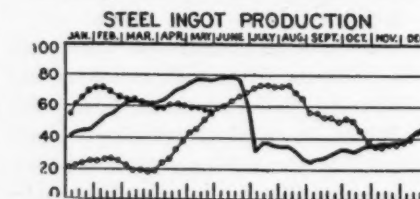
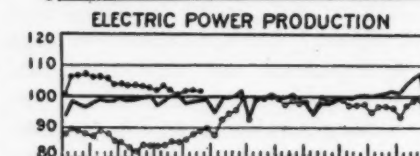
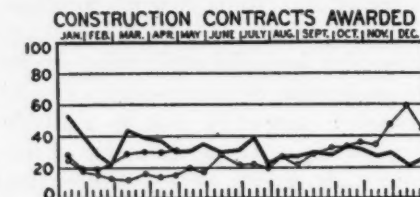
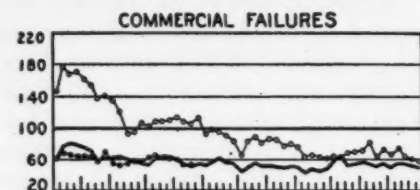
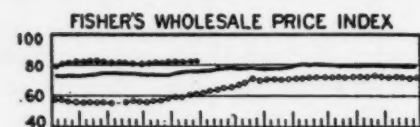
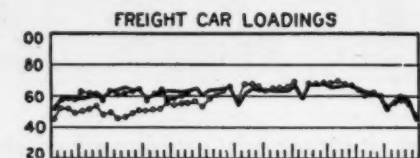
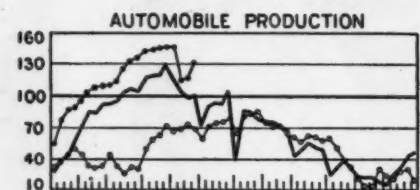
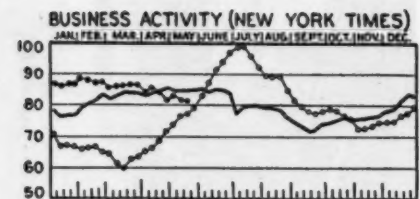
More auto sales marks: The Ford Motor Company reports that during the last ten days in May its sales on V-8s and commercial cars passed the 500,000 mark for 1935. This ten day period by the way, was the second best ten day period in the last five years. This company reports that retail deliveries have averaged 100,000 per month for the first five months of this year. The Automobile Manufacturers Association reports, which cover auto production except Fords, show a total of 1,988,637 for the first five months which total is 35 percent higher than for a similar period last year.

Construction projects lag: The anticipated increase in construction work during the spring months has been somewhat of a disappointment. Most of the gains shown in this field so far this year have originated from PWA projects. There has been a 78 percent gain in residential construction over 1934, but it must be borne in mind that the 1934 total was near to zero. However the slight improvement in the home construction field has been reflected in the glass industry where production schedules have been increased. There is now in operation an intensive drive for new business in the home building field which may carry sales totals higher during the summer.

Business profits improve: A bulletin issued by the Federal Reserve agent in the district centering about New York, indicates a decided improvement in the first quarter earnings of 279 industrial and mercantile companies. The aggregate of the net profits was 31 percent higher than for the same period last year. The reports on profits of these companies indicates a gain of 21 percent over a corresponding period in 1931 but were materially less than in 1930 and about half of the profits reported for 1929. The reports says further

"Among the various groups of companies, the largest relative improvement in profits occurred in the copper, machinery and tool, and electrical equipment groups, all of whose profits in 1934 were small.

Department of Commerce charts



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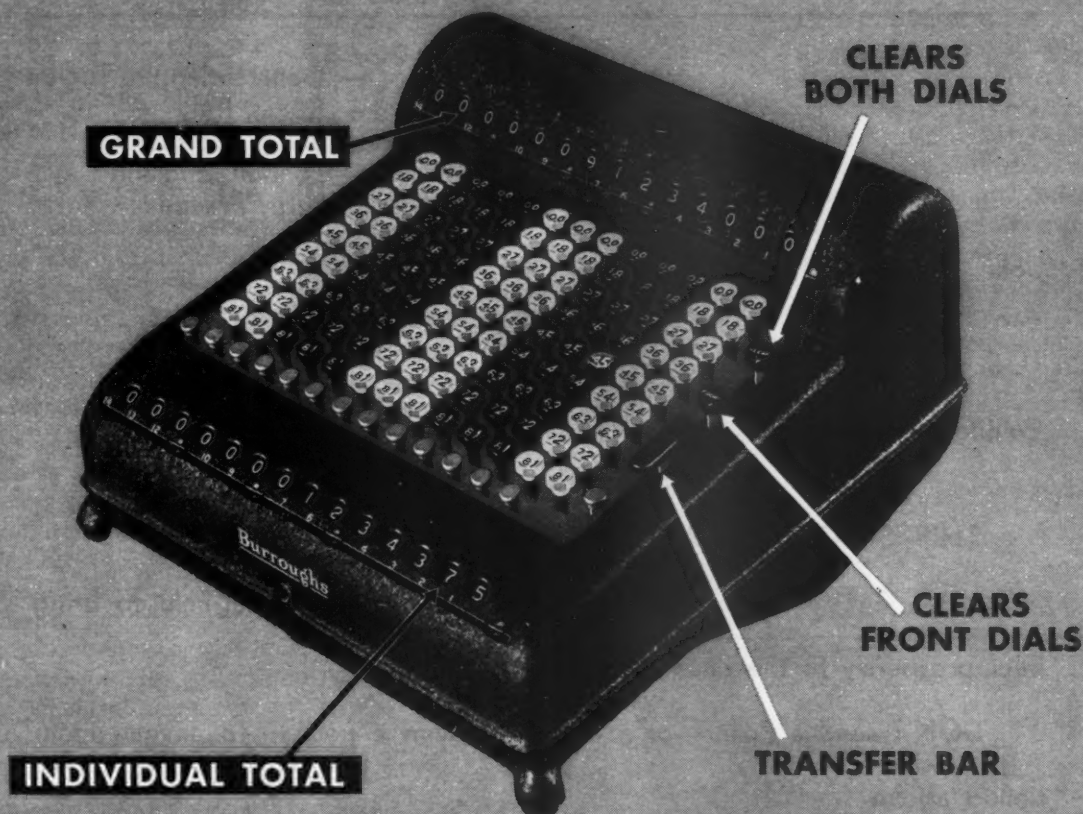
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CREDIT and FINANCIAL MANAGEMENT JULY, 1935

Burroughs

DUPLIX CALCULATOR



COMPLETE ELECTRIC OPERATION

TWO SETS OF DIALS

Individual totals are obtained in front dials, then transferred electrically to rear dials for accumulation into a grand total. The two sets of dials are well separated to avoid confusion.

ELECTRIC TRANSFER

Touching the transfer bar enters the amount of the individual total in rear dials electrically, and clears the front dials.

ELECTRIC CLEARANCE

A single touch of a key clears the front dials without transferring; another key clears both dials simultaneously. Both operations are electric. No cranks to turn; no levers to pull.

FASTER SUBTRACTION

Entirely new feature provides the simplest method of subtraction on any key-actuated calculating machine.

FRACTIONAL CENT

The machine gives, or takes, the half-cent as desired; or accumulates fractional amounts in the normal way.

OTHER ADVANTAGES

The Duplex, like other Burroughs Electric Calculators, has a uniform light touch for all keys; fast, positive action; and is completely controlled with one hand. Accuracy is electrically enforced. The motor does the work.

The Duplex is furnished in 9 and 13 column sizes. Write for illustrated folder.

BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN

When writing to advertisers please mention Credit & Financial Management

This month's collection letter:

Submitted for the approval of our readers by

WILLARD BECKER, Norton Door Closer Co.,
Chicago, Ill.

Mustapha Kemel	— Constantinople, Turkey
Benito Mussolini	— Rome, Italy
Adolph Hitler	— Berlin, Germany
Ramsay MacDonald	— London, England
Etienne Flandin	— Paris, France

John Jones & Company,
Any Town,
U. S. A.

Gentlemen:

JUST FAITH AND HOPE

THIS IS NOT A CHAIN LETTER.....

.....BUT if you heed this plea, you, too, will help to bring
back prosperity to this country.

DON'T send a dollar—or a dime—or even a penny—to anyone men-
tioned above

BUT send us \$98.20 to cover your March 1st invoice.

Keep American money circulating in America.

Yours very truly,

C "You were kind enough to pub-
lish our contribution for This
month's collection letter in the
August, 1934, issue of your maga-
zine. We have another contribution
which may be worthy of your consider-
ation," Mr. Becker writes us in sending
this fine letter.

"During the past few weeks the chain
letter mania has been very prevalent.
We needed some new ideas for collec-
tion letters and thought it appropriate
to capitalize on this current craze.

"We thought it advisable to be cau-
tious in the use of our adaptation of

the chain letter. We sent this letter to
only twenty delinquents. Nine remit-
tances were received within one week."

We do not feel that we are extend-
ing a kindness in publishing this letter
by Mr. Becker. It is a duty for it is so
concise, so timely, and so cleverly pre-
sented that it deserves immediate recog-
nition.

Credit and Financial Management
presents each month on this page an out-
standing collection letter. They are se-
lected from those submitted by our
readers. All letters submitted should be
successful examples of letters actually

used in credit department operation. No
doubt, you have one or two letters that
have been real "money getters." Send
them to us. We will be pleased to con-
sider them for use in this monthly
feature.

A great deal of collection letter writ-
ing, however, can be obviated if proper
care is taken in analysis of credit respon-
sibility. The most fundamental, up-to-
date method ever devised for knowing
just how worthy your credit applicant
is as a risk has achieved foremost stand-
ing among credit executives because it
is based on the current record of the
customer in paying his other debtors.
There is no substitute for a Credit Inter-
change Report.

CREDIT and FINANCIAL MANAGEMENT JULY, 1935

40th Convention Sets Mark

(Cont. from page 14) predicted that winners in future membership campaigns would be called upon to show even more startling results in order to win the National awards for their respective classes.

At the Thursday afternoon session Executive Manager Heimann presented his annual report on the past year's activities of the National Association. The complete text of Mr. Heimann's report is to be found elsewhere in this issue.

Following Mr. Heimann's report, members of the National staff answered questions about the operations of the several departments during an open forum; the questions being presented from the floor in such a way as to bring out a number of interesting points about N.A.C.M. service.

The address of the Thursday afternoon session was given by Charles S. Hamlin, the first governor of the Federal Reserve Board, having been appointed by President Wilson. He came to the convention at the request of Marriner S. Eccles, present governor of the Federal Reserve Board, who was unable to appear before the convention because of an important hearing on the Eccles banking bill before the Senate committee in Washington on the date he was scheduled to appear in Pittsburgh. Mr. Hamlin gave a very interesting review of Federal Reserve history and explained many of Mr. Eccles' ideas as incorporated in his proposed banking measure. Delegates were frequently heard to remark that Mr. Hamlin's address had cleared away many doubtful points about the proposed measure.

The opening address of the Friday morning session was delivered by Congressman Pettengill, of Indiana, who has much to do with the congressional deliberations on the proposed bill to regulate utilities by Federal law. Always a forceful speaker, Congressman Pettengill gave the delegates an interesting insight into some of the proposals now under consideration in Washington.

The Friday morning session brought the final report of the resolution committee an outline of whose deliberations and declarations are presented elsewhere in this issue.

Then followed the report of the nominating committee presented by

Ernest I. Kilcup, who served as president of the National association in 1933-34. He placed the name of P. M. Haight, of New York, in nomination. E. Don Ross presented a second of the nomination from the Western area. After the secretary had cast the unanimous vote of the entire convention for Mr. Haight, the New York delegation escorted the president-elect to the rostrum amid one of the wildest demonstrations ever witnessed in N.A.C.M. conventions.

The nomination and election of three vice-presidents followed with similar demonstrations by their respective constituents.

One incident which will be long remembered by the delegates who jammed the assembly room during the final session on Friday morning was the presentation to retiring President Roth of a handsomely engraved desk clock and thermometer, and a beautiful walrus hide traveling case fitted with solid silver equipment. The case and the accessory

box were especially made by one of the leading makers of high class luggage equipment in New York City.

The presentation of these gifts to retiring President Roth marked a very solemn moment in the closing hour of the convention as the delegates realized they were saying good-bye to a president who had given very generously of his time and efforts for the upbuilding of the association while the recipient quite evidently realized that he was completing a very interesting year's work as head of the National Association.

The presentation was very deftly made by Ernest I. Kilcup, Mr. Roth's immediate predecessor as President.

The 40th annual convention was brought to a close when the delegates rose, joined hands and sang "Auld Lange Syne," Brace Bennitt, convention director for the past several years, doing the honors at the piano. Just before the close J. Harry Tregoe gave a short address and pronounced the benediction.

Come Spin the Wheel of Fate

HERE'S AN IDEA for a moment's relaxation at the National Business Show. Drop down to our booth and spin the Wheel of Fate. It may tip you off to a good move for the future.

Don't forget: Booth 16, Lower Lobby, Hotel William Penn, Pittsburgh, Pa. Free stenographic service.



"Consult your Agent
or Broker as you would
your Doctor or Lawyer"

U.S.F. & G.

UNITED STATES FIDELITY & GUARANTY COMPANY

with which is affiliated

F. & G. FIRE

FIDELITY & GUARANTY FIRE CORPORATION

Home Offices: BALTIMORE

Results of May ballot

The religious parables of Buddha written about 500 B. C., are said to contain a story you'll all recognize. It's the one about the silly boy who killed a mosquito on his father's bald head by hitting the insect with an axe. The following story in the original version may be even older. Premiums weren't coming in fast enough. The Production Manager called his fieldmen around him. "Look here, men," he exhorted. "When I was in the field I thought nothing of working twenty-four hours a day."

"Well, to be truthful," spoke up one of the field force, "we don't think so much of it ourselves."

Of course, this wasn't our field force. Our men are always on the job, anxious to please, and competent to serve.

EQUITABLE
Fire and Marine
Insurance Company
 of Providence, R. I.

Cash Capital.....\$1,000,000.00
 Net Surplus..... 3,832,750.70
 Assets..... 6,031,368.30

QUESTION 1

Do you favor continuation of the N.R.A.?	"As Is" 13%	"Not at All" 43%	"Revised" 44%
Of Those MANUFACTURERS .....Reporting:	10	41	49
Of Those BANKERS .....Reporting:	8	52	40
Of Those DISTRIBUTORS .....Reporting:	19	39	42
Of Those in the EAST .....Reporting:	19	33	48
Of Those in the MIDWEST .....Reporting:	8	47	45
Of Those in the SOUTH .....Reporting:	21	23	56
Of Those in the S-WEST .....Reporting:	13	56	31
Of Those in the FARWEST .....Reporting:	6	60	34

QUESTION 2

After 2 years experience, do you favor continuance of the "price-fixing" sections of the codes?	"YES" 22%	"NO" 78%	
Of Those MANUFACTURERS .....Reporting:	24	76	....
Of Those BANKERS .....Reporting:	19	81	....
Of Those DISTRIBUTORS .....Reporting:	23	77	....
Of Those in the EAST .....Reporting:	33	67	....
Of Those in the MIDWEST .....Reporting:	11	89	....
Of Those in the SOUTH .....Reporting:	29	71	....
Of Those in the S-WEST .....Reporting:	17	83	....
Of Those in the FARWEST .....Reporting:	20	80	....

QUESTION 3

Would you vote for the proposed holding company bill?	"YES" 25%	"NO" 75%	
Of Those MANUFACTURERS .....Reporting:	21	79	....
Of Those BANKERS .....Reporting:	8	92	....
Of Those DISTRIBUTORS .....Reporting:	32	68	....
Of Those in the EAST .....Reporting:	19	81	....
Of Those in the MIDWEST .....Reporting:	18	82	....
Of Those in the SOUTH .....Reporting:	39	58	....
Of Those in the S-WEST .....Reporting:	45	55	....
Of Those in the FARWEST .....Reporting:	33	67	....

QUESTION 4

Would you vote for the proposed banking bill?	"YES" 25%	"NO" 75%	
Of Those MANUFACTURERS .....Reporting:	22	78	....
Of Those BANKERS .....Reporting:	9	91	....
Of Those DISTRIBUTORS .....Reporting:	35	65	....
Of Those in the EAST .....Reporting:	20	80	....
Of Those in the MIDWEST .....Reporting:	22	78	....
Of Those in the SOUTH .....Reporting:	49	51	....
Of Those in the S-WEST .....Reporting:	27	73	....
Of Those in the FARWEST .....Reporting:	23	77	....

QUESTION 5

Do you favor continuance of present processing taxes?	"YES" 13%	"NO" 87%	
Of Those MANUFACTURERS .....Reporting:	15	85	....
Of Those BANKERS .....Reporting:	8	92	....
Of Those DISTRIBUTORS .....Reporting:	19	81	....
Of Those in the EAST .....Reporting:	7	93	....
Of Those in the MIDWEST .....Reporting:	13	87	....
Of Those in the SOUTH .....Reporting:	23	77	....
Of Those in the S-WEST .....Reporting:	17	83	....
Of Those in the FARWEST .....Reporting:	12	88	....

QUESTION 6

Are your firm's inventories NOW above the 5 year depression average? (The 5 years broadly include from January, 1930, to January, 1935.)

	"Above"	"Below"	"Same"
	47%	29%	24%
Of Those MANUFACTURERS .....Reporting:	48	32	20
Of Those BANKERS .....Reporting:			
(No inventories in banks, so tabulation omitted)			
Of Those DISTRIBUTORS .....Reporting:	49	24	27
Of Those in the EAST .....Reporting:	47	25	28
Of Those in the MIDWEST .....Reporting:	49	24	27
Of Those in the SOUTH .....Reporting:	53	22	25
Of Those in the S-WEST .....Reporting:	55	23	22
Of Those in the FARWEST .....Reporting:	49	28	23

QUESTION 7

How do your firm's operating profits in the first 4 months of 1935 compare with the same period last year?

	"Above"	"Below"	"Same"
	44%	31%	25%
Of Those MANUFACTURERS .....Reporting:	51	31	18
Of Those BANKERS .....Reporting:	29	33	38
Of Those DISTRIBUTORS .....Reporting:	39	33	28
Of Those in the EAST .....Reporting:	42	30	28
Of Those in the MIDWEST .....Reporting:	35	41	24
Of Those in the SOUTH .....Reporting:	36	46	18
Of Those in the S-WEST .....Reporting:	53	20	27
Of Those in the FARWEST .....Reporting:	44	24	32

QUESTION 8

What is your firm's 1935 activity compared to the same period in 1933?

	"Higher"	"Lower"	"Same"
	77%	14%	9%
Of Those MANUFACTURERS .....Reporting:	82	13	5
Of Those BANKERS .....Reporting:	57	29	14
Of Those DISTRIBUTORS .....Reporting:	76	13	11
Of Those in the EAST .....Reporting:	79	13	8
Of Those in the MIDWEST .....Reporting:	82	12	6
Of Those in the SOUTH .....Reporting:	77	9	14
Of Those in the S-WEST .....Reporting:	66	5	29
Of Those in the FARWEST .....Reporting:	80	10	10

QUESTION 9

What is your firm's 1935 activity compared to the same period in 1929?

	"Higher"	"Lower"	"Same"
	14%	75%	11%
Of Those MANUFACTURERS .....Reporting:	18	70	12
Of Those BANKERS .....Reporting:	7	86	7
Of Those DISTRIBUTORS .....Reporting:	11	75	14
Of Those in the EAST .....Reporting:	12	76	12
Of Those in the MIDWEST .....Reporting:	14	73	13
Of Those in the SOUTH .....Reporting:	16	79	5
Of Those in the S-WEST .....Reporting:	0	100	0
Of Those in the FARWEST .....Reporting:	10	65	25

QUESTION 10

Do you find wholesale collections, compared with the same period in 1934, to be more favorable this year?

	"Easier"	"Harder"	"Same"
	47%	17%	36%
Of Those MANUFACTURERS .....Reporting:	53	12	35
Of Those BANKERS .....Reporting:	61	17	22
Of Those DISTRIBUTORS .....Reporting:	43	19	38
Of Those in the EAST .....Reporting:	43	12	45
Of Those in the MIDWEST .....Reporting:	45	16	39
Of Those in the SOUTH .....Reporting:	47	22	31
Of Those in the S-WEST .....Reporting:	83	10	7
Of Those in the FARWEST .....Reporting:	50	14	36

Executive

Manager's Report

(Cont. from p. 21) Interchange Departments, our Adjustment and Collection Bureau activities and our Fraud Prevention work.

There has been increased usage of our domestic Credit Interchange Reports during the past year as is indicated by the fact that inquiries cleared through our Central Bureau showed an increase of approximately 15% over those of a year ago. The difficult budgeting problem in the Interchange Department again presented itself during the past fiscal year but certain definite improvements were made in the mechanics of operation, both in the Central Bureau and in the local bureaus, which tended to increase the speed and value of the service given.

During the fiscal year an intensive study of the whole Credit Interchange problem was made by a National Committee composed of 5 members of the National Board of Directors and 4 Secretary-Managers. It was recommended by this Committee: 1—that efforts be made to bring local officers and directors more prominently into the picture, to acquaint them more fully with the operations and problems of Credit Interchange Service; 2—that the amount of educational and promotional literature be increased; 3—that a series of bulletins touching on Credit Interchange Service be addressed to all members of the Association; and 4—that meetings to discuss Credit Interchange Service be held by local Associations.

This program has been generally followed. The amount of field work has been increased. A series of bulletins addressed to officers and directors of the National Association, Presidents of local Associations, Committee Chairmen, and Managers, has been maintained throughout the year. Promotional activity in the way of articles and advertisements, in "Credit and Financial Management" has been increased. Likewise, Credit Interchange meetings have been held by several of the Associations.

Progress in the development both of Interchange and of Credit Groups has been made. However, this progress is far from that which is possible and desired. One of the difficulties in development is, of course, the matter of the present duplication of services in those fields resulting both in the throwing of a heavier burden upon the credit manager in answering (Cont. on page 44)



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Ancient vs Modern Methods!

The ox-team—the individual method—slow—cumbersome—in-efficient.

The modern train—the community method—fast—convenient—efficient.

That's the story of the direct inquiry vs Credit Interchange in the exchange of ledger experience information between the creditors of a common customer.

Modern credit highways are still choked with ox-teams—direct inquiries slowing up all the traffic making it difficult—well nigh impossible to get complete information promptly.

Credit Interchange Service is the modern tram of credit service.

*A "Ticket" Costs Less Than Buying Your Own Ox-Team
and You Get There Quicker*

Credit Interchange Bureaus

NATIONAL ASSOCIATION OF CREDIT MEN

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

1935 Is Big
Interchange Year

JULY, 1935

On to Richmond
In 1936

Credit Women In Important Session at Pittsburgh Meet

One of the more important features of the convention this year was the meeting of the Credit Women's Association. The Pittsburgh women, under the leadership of Miss Mercedes H. Roeser, did much to make the deliberations of this group a memorable event. The Credit Women's Annual Banquet was held in the Grand Ball Room on Tuesday Evening. Mrs. Helen Maycrink of New York was toastmistress at this banquet. Miss Roeser also officiated as general chairman of the Session. Miss Bess Havens of New York, Manager of the Interchange Bureau of the New York Credit Men's Association, gave a very interesting review of the ten year history of the Credit Women's Group.

Miss Havens also presided at the Credit Women's Breakfast held in the Urbin Room on Tuesday Morning.

Altogether the activities of the women during this convention made an impressive part of the activities. The work of the Pittsburgh Hostess Committee, under the direction of Miss Mercedes H. Roeser, did much to make the convention a memorable event for the women delegates and wives of delegates.

Bankers Group is One of Largest in Congress

The Bankers Group conducted by the Robert Morris Associates and presided over by E. M. Tourtelot of the First National Bank of Chicago, was an important session of the Credit Congress.

The main speaker was William Tonks, formerly vice president of the Union Trust Company of Cleveland, and now associated with the Reconstruction Finance Corporation at Washington, D. C., in the loan department. Mr. Tonks' subject was "Constructive Bankers—Wake Up!" Other speakers on the Robert Morris Program were Norman H. Moysey, credit manager of the Manufacturers National Bank of Detroit, and Earl F. Reed, counsel of the National Steel Corporation, whose subject was "Popular Criticism of Legal Process."

IN MEMORIAM



The last resolution presented at the big Pittsburgh Convention was a memorial to L. C. Lyon, who died suddenly just a week before the convention opened. He had served as chairman of the registration committee, seeing the total mount to more than 1,000 from the Pittsburgh area. The large Assembly stood with bowed heads as the memorial was read by Ralph T. Fisher, new vice-president from Oakland and chairman of the resolution committee.

Westinghouse Chief Points to Big Factor in Trade Recovery

One of the important addresses for the convention was that delivered on Tuesday morning by A. W. Robertson, Chairman of the Board of the Westinghouse Electric and Manufacturing Company, Pittsburgh. Following the slogan of the convention, "Opportunities Ahead," Mr. Robertson cleverly pointed out a large number of opportunities facing business in general during the next few years. "Consider for instance the difference between conditions today and what they were in 1932 during the worst of the depression," Mr. Robertson pointed out.

"Today our banks are sound; three years ago thousands of banks were closing their doors and the strongest banks were feeling the effect of the depression. Today money is cheap—unbelievably cheap in fact. Three years ago it was dear and almost unobtainable."

Pittsburgh Convention Goes on Record for Sound Money

Resolutions Adopted at 40th National Sessions Cover Such Important Subjects as Inflation, Legislation and Various Services of N.A.C.M.

The Fortieth Annual Convention made several very important declarations by way of resolutions presented by the committee headed by Ralph T. Fisher of Oakland. Among these declarations might be mentioned the following:

MADE A KENTUCKY COLONEL

At the Thursday afternoon session of the 40th Annual Convention at Pittsburgh, a delegation of Kentucky Colonels from Louisville, arrayed in appropriate fashion, presented to Executive Manager Heimann, on behalf of Governor Ruby Laffoon of Kentucky, a commission as a Kentucky Colonel and an attaché of the Governor's staff. The presentation was made by E. H. Heller, President of the Louisville Credit Men's Association.

Colonel Heimann now takes his place among that august body of Kentucky Colonels, along with May West, Eddie Cantor, Will Rogers and other prominent figures in the public eye. The Louisville Association, the home of the Breckenridges, the Clays, the Daniel Boones and the Abraham Lincolns, salutes you sah! Colonel Heimann of Niles, Michigan.

Henry Hafner is Named President at Buffalo

Buffalo.—At the organization meeting of the new and old directors of the Credit Association of Western N. Y. at Buffalo, the following officers were elected to carry on the affairs of the Association for the coming year: President, Henry Hafner, Danahy Packing Co.; 1st vice pres., A. L. Freitag, Socony-Vacuum Oil Co., Inc.; 2nd vice pres., S. M. Ditzel, George Urban Milling Co., and sec'y-treas., Ira D. Johnson.

1. Declaration for balancing of Federal Budget as soon as possible.

2. A declaration against further changes in the value of the American dollar.

3. A resolution against inflation which stated, "We believe that in this protest against dollar manipulation we are but seeking to protect ourselves against forces which will shake the very foundation of the Republic."

4. A declaration on the proposed Banking Act asking for a more thorough study of the banking system before any changes should be made in the present Act.

5. A declaration endorsing the present legislative activity of the National and State Legislative Committees and especially endorsing the work of the Legislative Committee of the National Association in its deliberations with the Bankruptcy Conference.

6. A strong resolution endorsing Credit Interchange as the best means available to members of the National Association for obtaining credit information.

7. Endorsement of the Adjustment and Collection Bureaus of the association as the most efficient means available to credit executives for handling such dealings with creditors.

8. Endorsement of the activities of the Foreign Trade Department of the National Association.

9. Declaration endorsing the National Staff for its efforts in establishing a Washington Bureau for the service and direct benefit of the entire membership.

10. A declaration urging all of the affiliated associations to push the program of credit education as outlined by the National Institute of Credit.

(Continued on page 33)



NEW KENTUCKY COLONEL: Middle picture shows Executive Manager Helmmann receiving a commission as a Kentucky Colonel which was delivered by the Louisville delegation. Secretary Sam Schneider removed his necktie so that the E. M. might have a full Colonel's regalia. (Above) (1) Charles Colton of Boston talks to V. D. Stuart, Oakland, Cal., about newspaper group session. (2) Secretary Jeff O'Keefe and a part of his large Chicago delegation. Below (4) Just a few of the women delegates from New York. (5) Horace V. X. Wright of Tacoma (third from left), one of the tallest delegates.

NACM News and Notes

Foreign Traders Discuss Plans at Convention Meet

Annual Luncheon is Attended by Large Number Interested in Exporting

The Foreign Trade Luncheon held in connection with the 40th annual Convention of the Association was held on Thursday, the Foreign Trade Council of the Pittsburgh Chamber of Commerce cooperated in sponsoring this luncheon, and many local firms in Pittsburgh engaged in the export business had representatives present, either their treasurer or export manager.

Delegates representing all parts of the United States, attended the luncheon which was under the chairmanship of Mr. P. M. Haight, Secretary-Treasurer of the International General Electric Company, who for many years has been actively engaged in the work of the Foreign Credit Interchange Bureau of the Association.

A series of questions had been prepared for discussion, and while there was not time to cover them all, the most important topics were covered and some very interesting information was developed. Minutes were taken at the meeting and can be secured from Kenneth H. Campbell, Service Manager, Foreign Credit Interchange Bureau, One Park Avenue, New York City.

Interest was heightened by the presence of Mr. W. T. Moran, Assistant Vice-President of the National City Bank of New York, and Mr. A. N. Gentes, Assistant Manager of the Foreign Department of the Guaranty Trust Company of New York. Both of these gentlemen made a special trip to Pittsburgh from New York for the purpose of attending this meeting. They were helpful with comments on the questions that had been submitted.

Mr. V. J. Usher, Manager of the Foreign Bureau of the Mellon National Bank of Pittsburgh also rendered great aid to the committee in facilitating the arrangements as well as participating in the discussion.

This Foreign Trade Luncheon was one of a series of meetings that the Foreign Department and Foreign Credit Interchange Bureau have been conducting for the past two years mostly in New York City. The next meeting will be held at the Hotel Pennsylvania on Wednesday, July 24th.

FIRST HOLE-IN-ONE

The most envied man in The Chicago Association of Credit Men is Walter G. Cobb of Carrier Engineering Corp. Walter made a hole in one at the Association's first 1935 golf event, held on May 23, at Itasca Country Club. Other members of the Cobb foursome were: F. O. Cherry, The Patterson-Sargent Company; R. C. Jamison, Hydraulic Press Brick Company; and H. E. Anderson, Narowetz Heating & Ventilating Co.

"It wasn't a fluke," said Walter, as he surveyed his handiwork, "I intended to do it."

The second golf event of the current season was held on June 27, at the Edgewood Valley Country Club, Western Springs, Ill.

Miss Rowell Heads New Buffalo Women's Group

Buffalo.—The Women's Credit Group of the Credit Association of Western N. Y. at Buffalo is now organized with Miss A. M. Rowell of Hecker H-O Co. as President, Miss Eva Mayn of Battery and Starter Co., Vice President, Miss Jennie Rice of Rugby Knitting Mills, Secretary and Miss Edna Eckner of Unit Parts Corp., Treasurer.

This is a new venture for the Buffalo Association and the girls have displayed great enthusiasm in the formation of this group. They had an attendance of sixteen at the last dinner and bridge party.

It was noticeable at the Pittsburgh convention that Credit Interchange is gaining in most every area.

R. D. Mange Elected Head of Chapter in Muskegon, Michigan

Muskegon.—The Muskegon Chapter of the National Association of Credit Men has just been organized and opened its activities auspiciously by having as its speaker David A. Weir, Assistant Executive Manager of the National Association of Credit Men who spoke on "Bootstrap Economics."

The Officers of the Muskegon Chapter are:

President—R. D. Mange, Hackley Union Nat'l. Bank.

Vice-Pres.—C. P. Damm, Independent Elec. Co.

Sec'y-Treas.—Geo. E. Osterhouse, Browne Morse Company.

Nineteen firms have already signified their interest in this Chapter. The Grand Rapids Association sponsored the group and was instrumental in getting Fred Schrop of South Bend to assist in organizing the Chapter.

Muskegon is a thriving city of 70,000 people with a wonderful community spirit and a group of civic leaders who stand second to none in their enthusiasm and loyalty to their community. Edward De Groot, Secretary of the Grand Rapids Association of Credit men reports this is the start of a very excellent Chapter and he looks for big things from Muskegon.

Syracuse Holds Outing

Syracuse.—The annual Outing of the Syracuse Association of Credit Men was held on Saturday, June 8, at the Hunters' club. A program of sports and entertainments was arranged by a committee headed by William H. Kearney.

Study of Systems and Methods will Feature Summer

Chicago Group to Carry On Program Started At Big May Forum

Chicago.—Through its committee on Credit System and Methods, The Chicago Association of Credit Men has begun an investigation into credit department procedure which includes current practices, covering the time interval preceding the solicitation of business until the account is liquidated.

So far as known the Chicago group is pioneering a field which has never before received a complete and exhaustive inquiry. The committee members are seeking the facts concerning actual practices and are consequently leaving theory entirely alone.

The work got under way on April 15 at a meeting in the Association's headquarters in the Merchandise Mart. More than a hundred members attended this first "Credit Operations Clinic," while some four hundred were present at the second, at Hotel La Salle, on May 8.

At both Credit Operations Clinics it was pointed out that to do a thorough job it will be necessary to receive the active cooperation on not only the hundreds of local members, but of other members of the National as well. It was also stated most emphatically that the findings will be applicable to businesses of every size and that the various investigations will be carried to a successful conclusion no matter how many months are required.

The Committee on Credit System and Methods consists of:

J. J. Killackey, John Sexton & Company, chairman; B. J. Badger, Johnson Motor Company, Waukegan; A. W. Herthel, Reynolds Metals Company Inc.; Charles F. Clapp, Gatke Corporation; J. A. Cox, The Pepsodent Company; M. E. Hellman, W. M. Welch Manufacturing Company; Miss J. M. Issacs, the Nathan Fox Co.; B. T. Masslich, Miller & Hart, Inc.; S. E. Meek, Ed. V. Price & Company; Maurice Vandervliet, The Columbia Mills, Inc.; L. D. Sylvan, Continental Oil Company and C. L. Holman, Welson Bros.

The committee is not allowing vacation months to interfere with its activities, and by fall it contemplates that definite results will be forthcoming—to be put at the disposal of the credit fraternity of the country.

DECLARATIONS AT CONVENTION

(Continued from page 31)

11. A resolution of thanks to Sylvester S. May of the Daily News Record for his excellent support of all credit programs during the past year and especially during the national convention.

12. A resolution of thanks to the newspapers and press associations of Pittsburgh.

13. A resolution of thanks to the Women's Organization of Pittsburgh for their very cordial entertainment of the delegates.

14. A resolution of thanks to the Pittsburgh Association, its officers and committee chairmen for their very excellent service and entertainment at the Fortieth Annual Convention.

15. The final resolution of the convention was a memorial on the death of L. C. Lyons, Chairman of the Registration Committee, who passed away suddenly just a week before the opening of the convention. This resolution was read by Chairman Fischer of the Resolutions Committee as the entire convention stood at attention. Copies of the memorial will be engrossed in memorial books, one of which will be presented to Mrs. Lyons, another to the Gulf Refining Company, where Mr. Lyons served as Credit Manager for many years, and a third copy will be presented to the Credit Association of Western Pennsylvania.

The full text of these resolutions will appear in the August issue.



THE LADIES, GOD BLESS 'EM. (1) Picture of the Pittsburgh hostess committee taken just before the Credit Women's Banquet. Miss Mercedes H. Roeder (in center on divan) was chairman of this excellent committee. (3) Miss Bass Havens, chairman, Credit Women's National Committee had her hands full with the meetings of the women's groups. (2) A portion of the Zebra Herds of the Credit Association of Western Pennsylvania. (4) Secretary M. E. Garrison and some of his Wichita, Kansas delegates. (5) First national organization meeting of the Royal Order of Zebras. Some 13 chapters were represented by delegates at this session.

NACM NEWS and NOTES

New Credit Survey Covers Interesting Facts on Retailing

Credit executives in the wholesale and manufacturing fields will find much valuable information in an extensive survey just completed by the Department of Commerce in co-operation with the National Retail Credit Men's Association. The survey covers compiled reports from a large number of retailers on their 1934 operations. Comparisons by percentages are presented covering 1933 and 1934. The survey, which is compiled from figures supplied by stores in different lines of trade, was made to determine the status of collections on open account and installment credit accounts.

Credit executives may obtain copies of this important survey by sending to the Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington. The charge is ten cents per copy.

A few of the important facts brought out in the survey may be mentioned the following:

Consumers paid their bills much earlier in 1934 than in 1933. During 1934, the average monthly collection figure for the 828 reporting stores, on ordinary charge accounts, was 42 percent as compared with 37 percent for 1933, the study shows. This improvement represents a continuation of the trend noted for the last six months of 1933, the rate for this period being slightly higher than the rate for the corresponding period in 1932, and reversing the downward trend of the previous four years.

The acceleration in payments on installment credit accounts receivable was more marked, the collection ratio increasing from 12 percent in 1933 to 15 percent in 1934. This amounts to a reduction of more than a month in length of time that installment accounts were outstanding on the average in 1934 compared with 1933, and in spite of a greater relative increase in installment sales than in cash and open-credit sales, is one of the most encouraging aspects of the present business situation as revealed by this survey, it was stated.

The present report, completed three months earlier than formerly, is the first to be issued giving yearly figures. It represents a continuation and expansion of previous surveys and, like these former surveys, was conducted at the request of, and in cooperation with, the National Retail Credit Association. The former studies included only 6 kinds of retail stores with 29 cities represented. The present study covers 12 kinds of retail stores and is based on reports from 1144 stores in 79 cities for the years 1933 and 1934.

Credit Career



The subject of this month's "Credit Career" is one of the leading authorities in Inter-Mountain District on credit practices, bankruptcy laws, receiverships, common law assignments and statutory assignments. His name is O. P. Meckes of Ogden, Utah, credit manager for the John Scowcroft & Sons Company.

Although he has made an extensive study of law, especially that pertaining to trade and commerce, he has never passed the bar examination. However, he is looked up to

by the entire credit fraternity of the Inter-Mountain country as a real leader in the credit field and an authority on legal matters pertaining to business.

Mr. Meckes started at the age of fourteen in Chicago as a messenger for the John B. Stetson Company. He heard the call of the West, however, at an early age, and engaged in mercantile business in several Oregon localities before going to Ogden, Utah, with the S. J. Kiesel Grocery Company. In 1914 the Kiesel Company disposed of its stock of merchandise to John Scowcroft and Sons Company, and Mr. Meckes was installed in the capacity of Traveling Credit Man. He has been with that company ever since in the capacity of credit manager. His hobbies are trout fishing and those of our readers who know first hand of the trout streams in the vicinity of the Inter-Mountain Region, can readily understand why Mr. Meckes should be enthusiastic over this sport.

Grand Rapids.—R. W. Forwood of the Consumers Power Co., is the new President of the Grand Rapids Association of Credit Men. Mr. Forwood's hobby outside of credit work is music. He is manager of the Melody Singers, considered one of the best quartets in Michigan and also sings tenor in that group. He is president of the Junior Chamber of Commerce of Grand Rapids, is interested in aviation and served during the war in that department of the service. He is married and has three children.



WHO ARE THEY?—Well that's a secret. We do know they are the four girls of the initiation team of the Alpha Nu's of Los Angeles. Out in Van Chase's area the credit women formed their own order to correspond with the Zebras (secret ritual and all). The order is called Alpha Nu.

Wins Senior Award for Study Course in Nat'l Institute

New Orleans.—E. J. Folse, Assistant Credit Manager of the Times Picayune Publishing Company has just been awarded his Senior Certificate having completed the course as prescribed by the National Institute of Credit.

Mr. Folse obtained his Junior Certificate in the session 1928 and 1929 in a course conducted by the New Orleans Chapter, National Institute of Credit.

His average for studies and examination at that time was one hundred percent.

Mr. Folse was president of the New Orleans Chapter, National Institute of Credit for two years.

New Orleans Has New Quarterly Publication

New Orleans.—Volume 1, Number 1, of NOCMA NEWS, house organ of the New Orleans Credit Men's Association appeared in June. It is a four-page mimeographed publication featuring news of credit activities in the New Orleans area. W. D. Snyder, Pittsburgh Plate Glass Co., chairman of the publicity and business literature committee is acting as editor of the publication. One of the interesting items in this initial issue deals with the fact that from January 1, 1935 until May 1, the New Orleans Credit Interchange bureau handled 17,412 inquiries from members and bureaus.

CLASSIFIED ADS

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Suitable for positions of Treasurer, Secretary, Comptroller, Auditor, Office Manager or Chief Accountant.

Has had exceptional experience in Banking, Manufacturing, Transportation, Institutional, and Club fields.

Experience covers all phases of finances, general and cost accounting, budgets, auditing, pay rolls, installation of systems and control, credits, taxes, insurance coverage, investments, organization, reorganization, etc.

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Age 46, married with two (2) dependents. Box 281, care of Credit & Financial Management, One Park Ave., New York.

CREDIT MAN—Mercantile, retail or installment. Also accountant and statistician.

I am looking for a connection where my 18 years' experience can be used to full advantage.

Single; 38 years old. Locate anywhere in U. S. A. Address W. J. Blust, 930 Baxter Ave., Louisville, Kentucky.



LARGE DELEGATIONS. (1) Secretary Sam Ardron, Jr., of Philadelphia and part of his large group. A. T. Rickards (on right) was elected a national director. (2) Harry Voss (at right, front row) presented an excellent delegation from Cincinnati. (4) Secretary Voss presents three more Cincinnati delegates. (3) The speakers' table at the Credit Women's Banquet. (5) President Fred Roth presents the membership prize to Homer B. Scarborough, President of the Oakland California Association. (6) Miss Bess Havens (standing) presides at the Credit Women's Breakfast. (7) A group of Pacific coast delegates. (8) Secretary J. M. Paul of Boston presents a large group from Boston and New England.

Credit fraternity hails decision against Frazier-Lemke Act as aid to rebuilding farm credit status

By W. RANDOLPH MONTGOMERY,
General Council, National Association of Credit Men.

ON May 27, 1935, the United States Supreme Court, in a case entitled *Louisville Joint Stock Land Bank v. Radford*, held the Frazier-Lemke Act (the farm mortgage relief act, Bankruptcy Act, Sec. 75-S) unconstitutional.

The decision is important to commercial credit grantors because of the holding by the court that the lien of a mortgage (and presumably any other type of security) cannot be destroyed, even in the public interest, except by resort to condemnation proceedings, so that through taxation the burden of relief afforded in the public interest may be borne by the public.

Following closely after the decision of the Supreme Court, in the case of *Continental Illinois National Bank & Trust Co. et al. against Chicago, Rock Island & Pacific Railway Co.* (April 1st, 1935), sustaining the constitutionality of the railroad reorganization section of the Bankruptcy Act (Section 77), the *Radford* decision clarifies and establishes the status of lien creditors in "Proceedings for the Relief of Debtors" under Chapter VIII of the Bankruptcy Act,—including Section 74 (Compositions and Extensions by individuals; Section 75 (Agricultural Compositions and Extensions); Section 77 (Railroad Reorganizations); and Section 77-B (Corporate Reorganizations).

In the *Rock Island* case, the Supreme Court upheld the right of the court of bankruptcy to enjoin temporarily the sale of pledged securities and said:

"The injunction here in no way impairs the lien, or disturbs the preferred rank of the pledgees. It does no more than suspend the enforcement of the lien by a sale of the collateral pending further action. It may be, as suggested, that during the period of restraint the collateral will decline in value; but the same may be said in respect of an injunction against the sale of real estate upon foreclosure of a mortgage; and such an injunction may issue in an ordinary proceeding in bankruptcy. *Straton v. New,*

283 U. S. 318, 321 and cases cited.* * *

"The injunction here goes no further than to delay the enforcement of the contract. It affects only the remedy."

But, under the Frazier-Lemke Act, Congress had provided that a farmer who had failed to secure the approval of a majority in number and amount of his creditors to a plan of extension, might ask to be adjudged a bankrupt, and that his property be appraised by appraisers appointed by the court, and that the value of the farmer's property, having thus been fixed, he might be permitted to remain in possession of his property, subject to a general lien as security for payment to his creditors of the appraised value of the property, with the right on the part of the debtor to purchase the property at its appraised value, the price to be payable over a period of six years, with interest at the rate of 1% per annum.

The law further provided that if any secured creditor objected to the purchase of the property by the debtor at the price fixed, the court was given power to stay all proceedings for a period of five years, during which time the debtor might remain in possession of the property upon payment of a reasonable annual rental to be fixed by the Court, and at the end of the five-year period, might pay into court the appraised value of the property and thereby acquire complete title.

In its opinion in the *Radford* case, the Supreme Court points out that these provisions amount to the taking of property without due process of law, in violation of the Fifth Amendment to the Constitution, because, obviously, the mortgagee would not receive the ordinary fruits of an immediate sale. Upon foreclosure the bankrupt is required to make no down payment, or to give any other assurance that the payments promised would in fact be made and

"if all such payments were duly made, the sale would not be at the appraised value; for the value of money (even if there were no risk) is obviously more than 1%. * * * Moreover, before any payment of the deferred purchase price is made, there is serious danger that the bank's investment might be further impaired. The mortgaged property might be lessened in value by waste. It might become burdened with liens for accruing unpaid taxes; * * * the transaction would result merely in a transfer of possession to the bankrupt for six years with an otherwise unsecured promise to purchase at the end of the period for a price less than the appraised value."

So, therefore, considering the *Rock Island* decision and the *Radford* decisions together, it would appear to be established that the lien of a secured creditor cannot validly be impaired in a proceeding under the Bankruptcy Act, but that foreclosure of the lien may be stayed pending reorganization or the consummation of a composition, with the reservation, however, that the stay will be lifted if the secured creditor satisfies the court that the value of the security will be materially impaired by reason of delay in foreclosure.

The *Radford* decision is significant also in connection with the provisions of Section 74 of the Bankruptcy Act, whereunder an extension arrangement affecting both secured and unsecured debts, may be confirmed by the Court when the proposed extension is consented to by a majority in number and amount of all debts affected by the extension, *both secured and unsecured.*

It has been suggested that this provision of Section 74 would permit the unsecured creditors of an individual debtor to bring about an extension of the time of payment of a secured debt, providing the unsecured creditors consenting to the extension, represented a majority in number and amount of all debts, including both secured and unsecured alike. So (Continued on page 44)

Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Fair	N. Y.	Albany	Fair	Fair
Ariz.	Phoenix	Fair	Good		Binghamton	Fair	Fair
Ark.	Little Rock	Good	Good		Buffalo	Good	Fair
Calif.	Los Angeles	Good	Fair		Elmira	Fair	Fair
	Oakland	Good	Good		Jamestown	Fair	Good
	San Diego	Good	Good		New York	Fair	Good
	San Francisco	Good	Good		Rochester	Fair	Fair
Colo.	Denver	Fair	Fair		Syracuse	Good	Fair
	Pueblo	Fair	Fair	N. C.	Charlotte	Fair	Fair
Conn.	Bridgeport	Good	Good	N. D.	Fargo	Good	Good
	Hartford	Fair	Fair		Grand Forks	Good	Fair
D. C.	Washington	Fair	Fair	Ohio	Dayton	Good	Fair
Fla.	Jacksonville	Fair	Fair		Youngstown	Fair	Fair
	Tampa	Slow	Fair	Okla.	Oklahoma City	Fair	Fair
Ga.	Atlanta	Fair	Fair		Tulsa	Fair	Fair
Idaho	Lewiston	Fair	Fair	Pa.	Allentown	Slow	Slow
Ill.	Chicago	Good	Good		Altoona	Slow	Slow
	Peoria	Good	Good		Harrisburg	Good	Fair
Ind.	Evansville	Good	Fair		Johnstown	Fair	Slow
	Fort Wayne	Fair	Fair	R. I.	Providence	Fair	Fair
	Indianapolis	Fair	Fair	S. D.	Sioux Falls	Fair	Fair
	South Bend	Fair	Fair	Tenn.	Chattanooga	Fair	Fair
	Terre Haute	Fair	Fair		Knoxville	Good	Good
Iowa	Burlington	Fair	Fair		Memphis	Good	Good
	Cedar Rapids	Good	Good	Texas	Austin	Good	Good
	Davenport	Fair	Good		Dallas	Fair	Fair
	Des Moines	Good	Slow		El Paso	Good	Good
	Sioux City	Good	Good		Fort Worth	Fair	Fair
Kan.	Wichita	Fair	Fair		Houston	Fair	Fair
Ky.	Louisville	Good	Good		San Antonio	Fair	Slow
La.	New Orleans	Good	Fair	Utah	Salt Lake City	Fair	Fair
	Shreveport	Fair	Fair	Va.	Bristol	Fair	Fair
Md.	Baltimore	Fair	Fair		Lynchburg	Fair	Fair
Mass.	Boston	Fair	Good		Norfolk	Fair	Fair
	Springfield	Fair	Fair		Richmond	Good	Good
	Worcester	Fair	Fair		Roanoke	Fair	Fair
Mich.	Detroit	Good	Fair	Wash.	Bellingham	Slow	Slow
	Grand Rapids	Good	Good		Seattle	Fair	Fair
	Kalamazoo	Good	Good		Spokane	Fair	Fair
	Saginaw	Good	Good		Tacoma	Fair	Fair
Minn.	Duluth	Fair	Fair	W. Va.	Bluefield	Fair	Slow
	Minneapolis	Fair	Fair		Charleston	Good	Fair
	St. Paul	Fair	Fair		Clarksburg	Fair	Fair
Mo.	Kansas City	Fair	Fair		Huntington	Fair	Fair
	St. Joseph	Fair	Slow		Parkersburg	Fair	Fair
	St. Louis	Fair	Fair		Wheeling	Fair	Fair
Mont.	Great Falls	Fair	Fair	Wisc.	Fond du Lac	Good	Good
	Helena	Good	Fair		Green Bay	Fair	Fair
Nebr.	Omaha	Fair	Fair		Milwaukee	Good	Fair
N. J.	Newark	Fair	Fair		Oshkosh	Fair	Fair

Collection and sales comments:

San Diego, California, states that the International Exposition has caused substantial gains over the past several months in wholesale as well as retail trade. The first unit of the Consolidated Aircraft Company is under construction and will cover approximately 500 by 1200 feet and will employ 2000 men. This has also had a very favorable effect on business locally. . . . In Denver, Colorado, collections may be slowed up some in the Colorado Springs area, Eastern and Northeastern Colorado, and a small section of Eastern Wyoming, due to flood damages. On the whole, however, for the Rocky Mountain trade territory, the outlook is favorable for considerable improvement. Their sales should continue to improve generally throughout the Rocky Mountain trade territory. There seems to be enough moisture arriving to assure good

crops. Mining there is looking much better and the year should show a full capacity tourist business. . . . In Tampa, Florida, they report their sales to be fair, due to the after effects of the freeze, which are beginning to show in the

Citrus Belt. . . . The weather in the Chicago, Illinois, territory, has been unseasonable. The sale of straw hats and summer clothes is slow in moving. However, sales in general are up, it is said. . . . Davenport, Iowa, declares the prospects for the farmer to be very fine. . . . And in Sioux City, Iowa, the sales are considerably better than a year ago. Their collections are also better with the exception of a few spots. A great improvement should be shown about September 1st, depending upon the crops, which look very favorable to date. . . . In Shreveport, Louisiana, the postal receipts and bank clearings continue to show an increase. Little or no change is reported in sales, collections, and industrial activities during the last thirty days. Farming operations seem to be going along steadily, and a good corn crop throughout the Northwest Louisiana territory seems to be assured. . . .

Summary

This month:

Collections:	Sales:
Good 34	Good 25
Fair 62	Fair 67
Slow 4	Slow 8

Last Month:

Collections:	Sales:
Good 27	Good 22
Fair 62	Fair 64
Slow 4	Slow 7

Opportunities

ahead!

(Cont. f. page 10) accused of being unfair if he felt that some business men are in the habit of exaggerating to such extent that their word cannot be taken except with a tremendous allowance for over-statement. We must be careful not to cry "Wolf, wolf" too often or we will lose the confidence of our public.

In this regard, I have recognized in the course of the past few years, a disposition to be more critical of business and the service it performs. Again I speak, not as to my own opinion, but to record my observations. Criticism is a sign of friction and business is soundest when it develops the least friction. The opportunity ahead for business is great but let us not forget that an opportunity is also a challenge.

3—Credit

The opportunities ahead for credit, be it commercial or banking, are great. There is a growing realization that when the government employs credit to replace private capital, then private capital, seeking a means of investment, goes back into the government credit or into hiding or, in inflationary periods, takes flight. Credit is here in abundance. The bank reserves are such as to take care of all legitimate needs. I know the banks have been charged with not having made loans, but I doubt that there have been many sound loans that have been rejected. Bear in mind that the banks had to get ready for banking reform and this preparation necessitated a policy of contracting credit where they might have personally preferred to expand it for recovery. With over two billion of excess reserves we have an abundance of bank credit, and through this period of time we have learned the principles underlying sound credit.

A challenge has come and gone with respect to credit in the codes, for there were those in charge of these planned economies who would have wholly restricted credit and sought to place this nation upon a cash basis. Your organization, your local management and your

Naming it

Proud Father (to bank manager):
"I want to open an account for the new arrival at our house. How shall we distinguish it from mine?"

Manager: Suppose we call it the Fresh Heir Fund."

membership was never in better position to play its part in the opportunities ahead for credit. The purpose of our convention, the valuable contacts of the week's association, and the principles underlying all that is said and done at our convention sessions will be a recognition of the importance of your work, and that of your association, as integral and necessary requisites to the progress of business.

Home workers

Many improvements in the condition of industrial homeworkers have taken place under the N.R.A., according to

a survey conducted by the United States Department of Labor in the latter part of 1934. Nevertheless, it was found that, in many instances, such workers were working excessively long hours for less than a living wage. Employers who shifted their homeworkers to factory employment under code provisions found the adjustment less difficult than was anticipated and expressed the opinion that a general abolition of the homework practice would be satisfactory.

 Your "finger on the pulse" is a Credit Interchange Report

Twenty Percent Better Protection for Twenty-Two Percent Less Money

Our study of the insurance buying practices of America's leading 12,000 manufacturers and 10,000 wholesalers revealed the actual effect of insurance surveys on the average firm's insurance protection. Seventy percent of the group have recently had insurance surveys or audits made of their insurable hazards and insurance coverage.

The research revealed these firms' needs for insurance—the insurable hazards in each case. We also found out what insurance they have. The 15,400 who had surveys or audits made are twenty percent better protected.

The 6,600 firms who had no such surveys made pay an average of \$8249 a year for insurance. The firms that had surveys made by agents or brokers pay an average of \$6745 for insurance each year. Thus in the average case calling in a competent agent or broker to make a survey of insurance needs and coverage results in twenty per cent better protection for twenty-two per cent less money. Clearly such surveys are essential for safety, security and insurance economy. Have you and all your debtors secured this service?

There's a representative of one of these three sound, reliable, progressive fire insurance companies near you. He's a competent insurance analyst—a man you should know. He'll be glad to tell you more about this pioneer research into insurance buying practices and about insurance surveys—without the slightest obligation on your part. Call him in, or dictate a note to us, now.

The
LONDON ASSURANCE

The
MANHATTAN
Fire and Marine Insurance Company

The
UNION FIRE
Accident and General Insurance Company

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NEW YORK

product and as such are eligible to profits insurance. Contrast this with a wholesaler's warehouse or stock room wherein we find a finished product representing the initial cost to him AND NO MORE.

The wholesaler's mark-up on his cost is predicated upon the speed and completeness of his turnover and if, by reason of a catastrophe, he is enabled to clear every article off his shelves in one transaction at his full estimated profit, he is getting a return far above normal, or, in other words, is profiting by his insurance. This, we repeat, is absolutely and fundamentally opposed to every insurance principle.

It becomes evident, therefore, from the foregoing that the manufacturer needs profit insurance to protect his interest in his finished product exclusive of his initial raw stock cost, and also use and occupancy coverage to compensate for his losses sustained as a result of his inability to carry on his business activity. Conversely, the wholesaler, having no interest in his finished product exclusive of his initial cost, is ineligible to profit insurance, but is entitled to and can be properly compensated by use and occupancy coverage for his losses sustained as a result of his inability to carry on.

We apologise for our lengthy dissertation on this point, but we believe that you will realise the validity of our contention, and hope that it may prove of value if at any time in the future you repeat your questionnaire. Meanwhile, if you have more complete details of the survey than the trade papers disclosed, and are at liberty to release them, we would very much appreciate obtaining copies.

Very truly yours,

F. JOHN BARCLAY,
Assistant Manager,
Special Risks Department.
Fire Assn. of Philadelphia

Josh Billings on insurance

"I kum to the conclusion lately that life wos so unsartin, the only way for me to stand a fair chance with other people was to get my life insured, so I called on the agent, and answered the following questions: Are you a male or female? Have you a father or mother? If so, state which? Are you subject to fits? If so, do you have more than one at a time? Did you ever have an ancestor? If so, how much? Du you have any nightmares? Are you married, or single or are yu a bachelor? Have you ever committed suicide? If so, how much did it affect you?"

1825 — MORE THAN A CENTURY OF PROGRESS — 1935

JUST AS VITAL as Insurance covering The Physical Property

"Reports published by one of the mercantile agencies show that 46% of the concerns suffering losses by fire do not re-engage in business, and it is our observation that many of these business houses could not meet the expense of holding together their business organizations during the period required to rebuild their property.

"Without Business Interruption (Use and Occupancy) Insurance, the cost of re-establishing the business would represent a 'dead loss' and it is therefore apparent that **this kind of insurance is just as vital to the business concern as the insurance covering the physical property.**"

(Credit & Financial Management—June, 1935)

You are cordially invited to consult our local representative regarding your Business Interruption Insurance needs. Or, write in here for information and literature, without obligating yourself in any way whatsoever.



THE PENNSYLVANIA
FIRE INSURANCE CO.

150 William St. (2nd Floor) New York

1825 — MORE THAN A CENTURY OF PROGRESS — 1935



Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Comment on Insurance Survey

Gentlemen:

In various trade journals of recent issue we have noticed, and read with considerable interest, the results shown in your survey of "Insurance Practices of Wholesalers and Manufacturers."

We congratulate you on the idea, and further compliment you on the apparent care and effort taken to make the questionnaire so complete in detail. A 27% response must have been most gratifying to you and, to our mind, is comprehensive enough to substantiate your claim that you have obtained information of great interest to insurance circles, that applies not only to the members of the National Association of Credit Men, but also to wholesalers and manufacturers at large.

We interpret your survey was designed, however, to interest the wholesalers and manufacturers fully as much as the insurance business, and further assume that you expect and invite comment. In this regard, we take issue with your opinion expressed relative to the need for business interruption indemnity which reads as follows:

"it was assumed that of these two classes of business only manufacturers need business interruption indemnity, and that this hazard may be adequately protected for wholesalers by profits or commissions and rental value insurance. While this is not true in every individual case, it

was deemed sufficiently accurate for market measurement purposes."

The assumption that wholesalers can adequately protect themselves by profits and rental value insurance against loss arising from interruption of their business is not only contrary to fact, but also contrary to all insurance principle. Let us analyse a hypothetical case wherein a wholesaler is debarred by catastrophe from doing business for a six weeks' period. IF he has profits insurance, he can collect his loss of his margin on stock destroyed; if he has rental value insurance he can move to another building pending restoration of his usual quarters, but who or what will pay the extraordinary expense of moving to the temporary location and back, and all the other unusual expense that is bound to arise in such a situation? Not the rental value policy, for such proceeds will be absorbed by the cost of the temporary space. Not the profits policy, IF any, for such proceeds will be more than absorbed by salaries necessarily continuing, by payment of interest on indebtedness, etc., etc.

It is pertinent to observe here, that in these days of improved and accelerated distribution of goods, turnover is more frequent and inventories are lower. It naturally follows that the lower is the inventory, the less is the unrealised profit on the stock and correspondingly, the less insurable under a profits policy and collectible in event of loss. It cannot be assumed, therefore, that such proceeds would be sufficient to pay the continuing expense and that the wholesaler is fully and adequately protected by a profits policy.

You will observe that our comments regarding profits insurance have in each case been qualified by an 'IF.' The reason for this lies in the fact that in the majority of states in the Union, if not all, it is impossible for a wholesaler to purchase profits insurance. Such coverage was designed and intended for manufacturers to protect their interest in finished stock only, and the rules and regulations of various Underwriters Associations and Rating Bureaus prohibit issuance of such policies to any other but manufacturing concerns.

Furthermore, such discrimination is absolutely just, for the fundamental principle of insurance is protection only, not profit. In a manufacturer's warehouse or stock room rests his finished product representing a cost to him of his raw stock PLUS his processing costs; these latter costs represent a profit to be realised in the ultimate sale of the



AUDIT YOUR INSURANCE

Have a survey made of your Insurance during the Summer when business is slow. It costs you nothing.

Old surveys should be brought up - to - date: values fluctuate, and the new contracts need scrutinizing. See our local agent, or write direct for our Insurance Survey Forms.

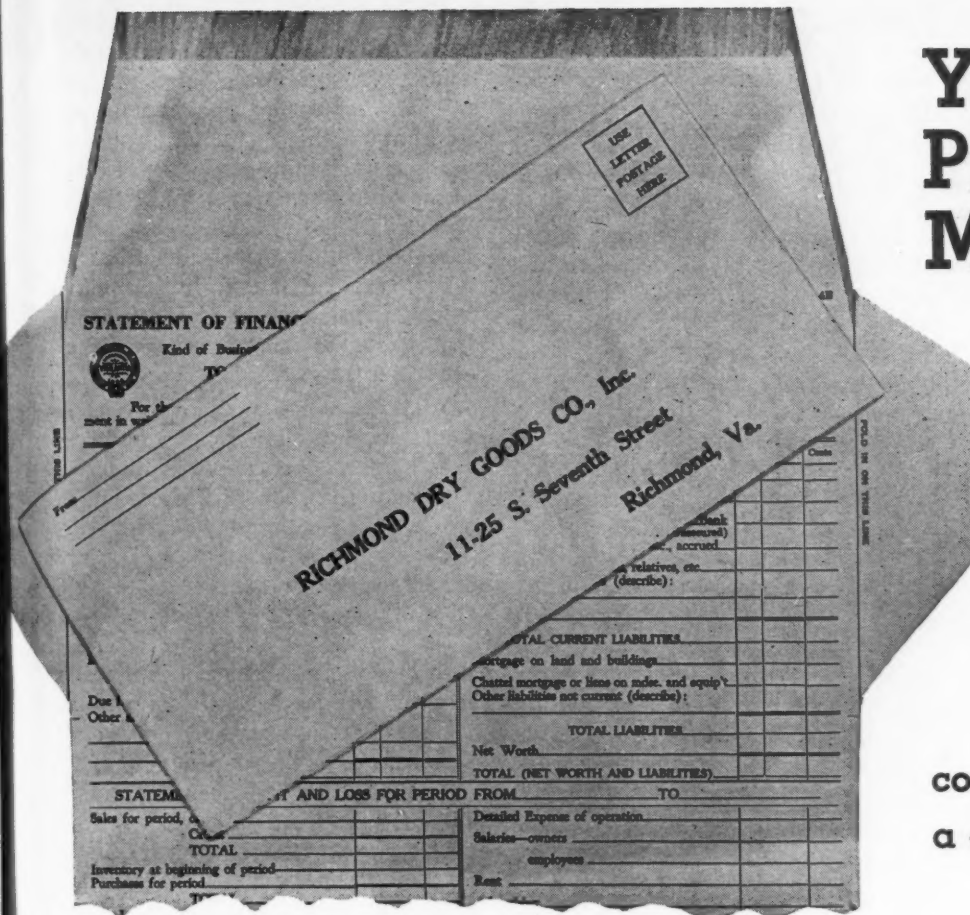
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An Old Line Stock Company
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CREDIT and FINANCIAL MANAGEMENT JULY, 1935

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These Standard Forms, backed by the prestige of the National Association of Credit Men, build good will. Credit executives have found they draw many more statements from customers.

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An idea and experience exchange on equipment, system and management in the modern credit and business office.

Type cleaners

Two new type cleaners have recently been produced. One is the Omega type cleaner which is said to be a decided improvement over the old style cleaning oil. It is a non-inflammable liquid made to cut and dissolve any color and foreign matter on the type, thus removing it

quickly with a brush. It comes in attractive white crystal bottles fitted with caps to which are attached a spiral brush. The other type of cleaner is the "Perfected," produced by The Scram Company of St. Louis, Mo., makers of Ink-Scram and Ink Eradicator. This comes in a three ounce bottle which retails for 50¢. These bottles are tightly sealed with gelatin to prevent evaporation. They come supplied with absorbent cleaning cloths and have inserted in their caps, a steel coated stem with a wool dauber on the end of it.

Paper-weight

C. B. Satterfield, 1607 Jefferson St., Madison, Wis., newest offer is the Oh Kay automatic paperweight. It has a four inch capacity and is said to hold papers on desks regardless of the strongest breeze. This nifty contrivance is finished in chrome metal and is designed for decoration, endurance and service.

Desk pad

A new "Memoroll" holder put out by the Art Steel Company, Inc., 145th Street and College Avenue, New York, N. Y., is on the market. It is especially fitted for a desk, having the same writing surface, and may take any size roll up to 3½" in width. It has a space at the bot-

tom for filing old memorandums and small ledge is provided for parking pens or pencils. The knurled knob enables it to be run with one hand. This holder is finished in oven baked enamel in Maroon, Olive, Green or Chocolate.

Income

Estimated total income of wage and salary employees in the United States in 1933 was 29 billion dollars, as compared with approximately 53 billion dollars in 1929, a decrease of 45 percent. Similar data for 1934 are not yet available, but according to preliminary estimates of the Department of Agriculture, the total national income increased 6 billion dollars between 1933 and 1934, i. e., from 46 to almost 52 billion.

Employer bonus

A subsidy will be paid to French employers who employ workers registered with the regular unemployment funds under the terms of a recent Government decree. The bonus may not exceed the unemployment fund allowance which the worker otherwise would have received, less the amount of family allowances. The period during which the bonus may be paid on account of an individual employee is limited to 180 days in any 12-month period.

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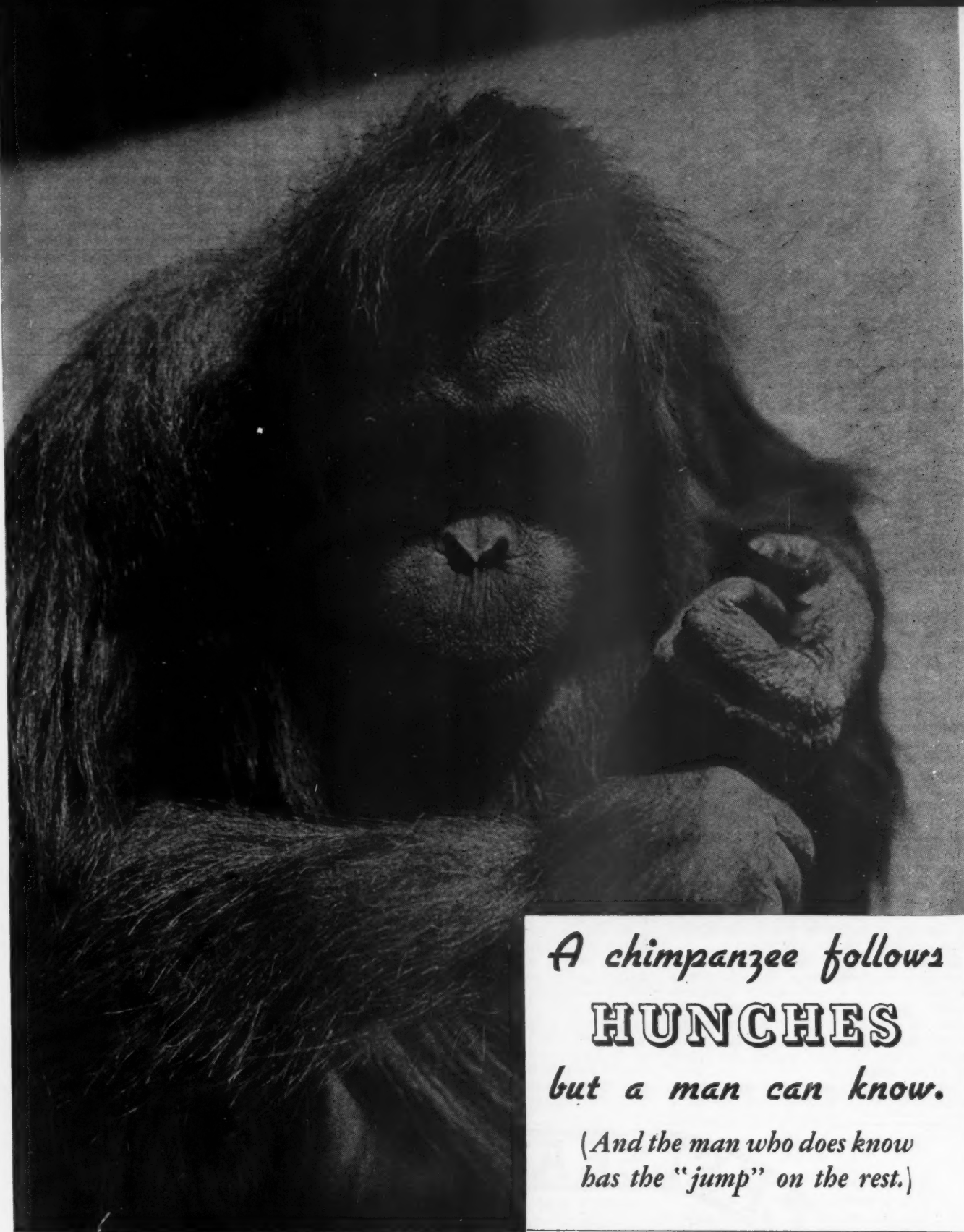
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Executive Manager's Report

(Cont. from page 29) inquiries and a decrease in the completeness of the various reports issued. It should be borne in mind that while mechanical changes may be helpful in bringing speedier and more efficient service, the basic factor must be the desire of the member to cooperate in prompt answering of inquiries. Our Credit Interchange System can be no stronger than is the understanding of and interest in Credit Interchange by the members.

One of the most efficient of our service activities is the Foreign Department and the Foreign Credit Interchange bureau. The Foreign Credit Interchange Bureau has maintained and strengthened its position as the leading organization in the foreign credit field. Within recent months a noticeable increase in membership has taken place, and former members are re-affiliating upon their re-entrance into the export field, while new members are becoming affiliated as they undertake business in foreign markets. The detail operations of the Foreign Credit Interchange Bureau have been improved by several special services and special reports which have been of material benefit to members.

Of special interest to our members has been the operation within the Foreign Credit Interchange Bureau of Group Meetings, and also the monthly Round Table discussions on credit, collections and exchange. The distribution of the minutes of these meetings indicate a country-wide benefit from these discussions. In cooperation with the Foreign Department, such meetings are being extended to other points than New York. The Chicago Association has held a very extensive series of special meetings devoted to foreign trade subjects and other local Associations are evidencing an interest in this type of increased membership service.

Our contact with credit organizations in Europe and other foreign markets has brought about an increased benefit to our members in the handling of collections, the securing of special reports and trade promotion contacts. As an increased number of our members re-engage or enter actively into foreign trade fields, and because the facilities of our Foreign Department are on such an efficient basis as to provide particularly beneficial service, it is to be hoped that more of our members will avail themselves of the services of this de-

partment. The continued active interest of the Committee of our members supervising and actively engaged in our Foreign Department and Foreign Credit Interchange Bureau activities, is a substantial reason for the success of this work.

The National Adjustment Bureau Department has continued its constructive contact with local bureaus, continuing to give special attention in inspection work to those bureaus where special circumstances or problems have made such inspection desirable. In addition to the regular work of this department, a great deal of time and effort have been devoted to the revision and establishment of new collection rules and to the production of a new Collection Zoning Manual by cities covering the entire country and giving to the local managers a more complete and comprehensive manual of operations than they have ever before had. During the year there has been approval or re-approval of several bureaus, thus adding to national coverage.

While the collection and adjustment revenue throughout the system has shown a decrease for the year in conformity to the depressed business conditions, the decrease has been less for our organizations than the average organization. This indicates a growth of belief in the efficiency of our collection and adjustment units and an increased recognition on the part of the member that he can profit most through the use of the collection and adjustment facilities which belong to the members and which are ultimately controlled by the members. During the past three months in particular there has been evidence of a return of increasing volume of business for the bureaus.

Greater interest has been shown in the work of the Fraud Prevention Department than for several years past. This work is now conducted in those centers where sufficient financial support is available to justify the department in carrying on its work. There are definite indications that such financial support is likely to be available in several other localities during the coming year, thus permitting a natural and logical development of this work. As a result of the work of this department, during the ten years of its existence there have been 1,543 convictions and 2,799 indictments of individuals found to have violated the federal and state penal statutes covering commercial fraud.

The fiscal year, which has just closed,

presented an unusually difficult budgetary problem for the National organization. I am, however, happy to report that our net working capital for the year has shown a slight increase. I must report that the maintenance of the National Credit Interchange system, undertaken by the National office in certain key-markets, required an outlay that taxed our budgeting ingenuity. These responsibilities were undertaken because we felt Credit Interchange clearances in these key-markets to be essential to the system.

With a more adequate budget it would be our disposition to have assumed even larger responsibilities. In addition to these abnormal expenditures, the legislative demands and the other collateral Association work required heavier expenditures during the past fiscal year. I would be remiss in my duty did I not suggest that more adequate financing of the National office would insure a broader development and an opportunity to increase and improve all phases of our service to members.

It is an extreme satisfaction to be able in this report to indicate to you the definite progress made in a variety of fields during the past year. This progress has been made possible by the cooperation of many individuals and groups. Without the cooperation of our National officers and members of the National Board, the personnel both of the local offices and the National office, and the membership at large, progress could not have been made. I want at this time to publicly acknowledge my gratefulness for this cooperation.

The opportunities ahead for us are great. The realization of those opportunities will depend upon this cooperation being maintained and even enlarged. We have taken a long step forward during the past year. With your belief in the Association and your active interest and effort, the steps taken this coming year will be even greater.

Frazier-Lemke Decision

(Cont. from p. 37) interpreted, Section 74 would seem to fall under the condemnation of the United States Supreme Court ruling in the *Radford* decision, and would amount to an impairment of the value of the lien of the secured creditor without his consent, and would be a violation of his constitutional rights.



Court decisions



WAUSAU MALT PRODUCTS COMPANY, Resp't., v. Citizens' State Bank of Wausau, App't. Wisconsin Supreme Court—April 3, 1934. (214 Wis. 654, 254 N. W. 379.)

APPEAL by defendant from a judgment of the Circuit Court for Marathon County (Reid, J.) in favor of plaintiff in an action brought to recover the amount of its deposit in the defendant bank, together with damages for withholding it. Reversed with directions.

1. A statute providing that when a stabilization agreement approved by the state banking commissioner shall have been entered into between a bank and its depositors and unsecured creditors representing 80 per cent of the amount of deposits and unsecured credits, the claims of all other depositors and unsecured creditors shall be treated as if they had joined in the agreement, does not unconstitutionally interfere with the right of contract or impair the obligation of the contract between the bank and one who made deposits after the law was passed, even though he may have prosecuted an action for the amount of his deposits to judgment before the stabilization agreement became effective.

2. A depositor or creditor of a bank cannot, by bringing an action against the bank prior to the perfection of a stabilization agreement which by statute has the effect of making the claims of depositors or creditors subject thereto as though they had joined in the agreement, put his rights beyond the operation of the agreement.

3. Under a statute providing that, whenever the commissioner of banking shall approve a

stabilization and readjustment agreement entered into between the bank and a certain percentage of its depositors and unsecured creditors, the rights of all depositors and unsecured creditors shall be subject to its provisions, the commissioner has no power to modify an agreement presented for his approval, save indirectly through withholding approval of the agreement as presented.

UNION SECURITIES, Inc., App't., v. Merchants Trust & Savings Company, Indiana Supreme Court—March 29, 1933. (206 Ind. 127, 185 N. E. 150.)

APPEAL by petitioner from a judgment of the Superior Court for Delaware County (Murray, J.) in its favor in part only, in a proceeding to establish a preferred claim against assets and property in possession of a receiver. Affirmed.

1. A transaction whereby accounts receivable are assigned to another is, though denominated by the parties a sale of the accounts, in fact a loan, and the assignee of the accounts is not entitled to a preference out of the assets of the assignor in the possession of a receiver for the amount collected on such accounts by the assignor, where the arrangement was that the assignee should advance 88 per cent of the face value of the accounts assigned, pay over an additional 10 per cent when the accounts should be paid, and keep 2 per cent as its profit, that the assignor should become a surety for the payment of such accounts, and collect them at its own expense, and the assignor with the assignee's knowledge had mingled the proceeds of collection with other funds in its general bank account, paying 2 per cent a month for such amounts as were due and not remitted to the assignee, and the customers whose accounts were assigned were not notified of that fact.

2. A sale is the transfer of the general or absolute, as distinguished from a special, property in a thing, for a price in money.

3. A loan of money is a contract by which one delivers a sum of money to another, who agrees to return at a future time a sum equivalent to that which he borrows.

4. Where the parties to a transaction have termed it a "sale," it will be presumed to be such, rather than a loan, until the contrary clearly appears.

5. The test which determines whether an assignment of accounts was a sale thereof, or merely by way of security for a loan, is the intention of the parties as ascertained from the whole transaction, including the conduct of the parties as well as their written agreement.

6. If trust property, either in its original or substituted form can be traced into the hands of the insolvent trustee or of his assignee, the beneficiary may have a lien established or a preference decreed over the claims of general creditors although the identity of the trust

fund is lost, provided it is actually represented in the assets.

7. A lender of money on the security of assigned accounts is not entitled to a preference out of the assets of the assignor in the hands of a receiver over general creditors for money collected by the borrower on such accounts placed in its general bank account and used in the payment of business expenses, including purchases of merchandise, where it is not specifically shown that such money purchased any of the merchandise that passed into the hands of the receiver.

8. One seeking to invoke the judgment of the law must produce the facts which will support the judgment.

9. No inference or intendment will be indulged in favor of a special finding or verdict.

FRIERSON & COMPANY, Inc., v. Canal Bank & Trust Company, Impleaded, etc., App't. Louisiana Supreme Court—July 2, 1934. (180 La. 520, 156 So. 803.)

APPEAL by defendant Trust Company from a judgment of the Civil District Court for the Parish of Orleans, Division D (Gleason, J.) in favor of plaintiff in an action brought to recover certain warehouse receipts pledged as security for payment of a draft. Affirmed.

1. A pledge of collateral to a bank as security for a loan in the form of an acceptance, by a bank, of the borrower's draft, fulfills its contractual obligation to deposit sufficient funds with the bank to take up the acceptance at maturity, so as to become entitled to a return of the collateral, by delivering to the bank checks against funds on deposit therein for the amount due on the loan, although by reason of a presidential proclamation impounding 95 per cent of all bank deposits except for certain designated purposes, only a part of the funds on which the checks were drawn could be withdrawn from the bank.

2. A bank sued by a borrower of money from it on an accepted draft, for return of the collateral upon the bank's refusal of a tender of the amount of the loan, cannot set up as a defense that it has negotiated the draft and transferred the collateral to another bank, where such other bank has abandoned its claim to the collateral by voluntarily discontinuing an intervention in the suit to set up its claim to the collateral and bringing suit for the balance due on the draft without making any claim to the collateral.

STATE OF MISSOURI, Resp't., v. H. E. Taylor, App't. Missouri Supreme Court (In Banc)—June 15, 1934. (—Mo.—, 73 S. W. (2d) 378.)

APPEAL by defendant from a judgment of the Circuit Court for Caldwell County (Beals, J.) convicting him of issuing a check with knowledge that he had insufficient funds in or credit with the bank for payment thereof. Affirmed.

1. A statute making the giving of a check against insufficient funds an offense may be violated by the giving of a postdated check.

2. The appellate court will look to the motion for a new trial in a criminal case for assignments of error where the appellant has failed to file a brief.

3. A statute making the giving of a check against insufficient funds a criminal offense, with consequent liability to imprisonment on failure to pay the fine imposed, does not violate a constitutional provision that imprisonment for debt shall not be allowed.

4. The defendant in a prosecution for giving a check against insufficient funds cannot complain of the court's failure to limit the jury to a consideration either of the question whether the offense was committed by the giving of the original check, or of the question whether it was committed after the check had been re-dated by the maker, where he did not request that the state be required to elect upon which act it would rely for conviction.

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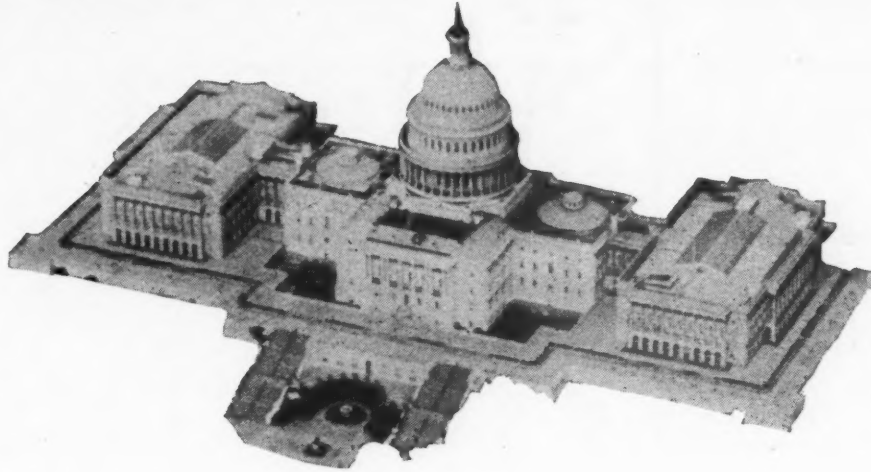
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(Cont. from page 23) rates, rules and commissions.

It is almost wholly the initiative of these four organizations that has developed the present rate structures and systems of rate making, the various forms of contracts in use, the commissions payable to agents and brokers and the established rules of practice. All of these matters are inter-related and must be under some measure of control or supervision if there is to be order and system, a condition alike for the benefit of the public, the insurance companies and their agents. The stabilization resulting therefrom provides known costs and condition for the public and gives value to an insurance agency and to the portfolio of an insurance company.

Our rate making systems, however differing, are alike in granting liberal credits for improvements tending to reduce fire hazard and from that angle alone serve the public good as a means of fire prevention. It may be pointed out that the standards erected and maintained by the National Board are those relied upon in rating practice, thus illustrating the inter-relation of insurance company organizations. No credit in rate can be given for a fire door unless it is a Standard door and so labeled.

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